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# Internal Audit of WFP Operations in El Salvador

Office of the Inspector General  
Internal Audit Report AR/24/18



World Food  
Programme

November 2024



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## I. Executive summary

### WFP El Salvador Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in El Salvador. The audit focused on risk management and management oversight, management of cooperating partners, and cash-based transfers. In addition, the audit carried out tailored reviews of external stakeholder relations management and communication, programme design and implementation of the country office's crisis response activity, monitoring activities, and community feedback mechanisms.

2. The audit covered the period from 1 January 2023 to 30 June 2024. Over this period, WFP expenses in El Salvador amounted to USD 14.8 million, and its operations reached approximately 521,000 beneficiaries.<sup>1</sup>

### Audit conclusions and key results

3. Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **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 objectives of the audited entity/area should be achieved. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.

4. The country office established tools for management oversight, including regular reporting on procurement and cash-based transfers; and monitored trends and certain operational indicators to inform its decisions.

5. Staffing capacity constraints are a common underlying cause across some of the observations raised in this report. The Regional Bureau for Latin America and the Caribbean recommended a capacity development plan to address gaps, considering that 45 percent of the staff joined the country office in the past two years. Addressing these challenges would help the country office implement some of the agreed actions included in this report.

6. The audit report contains a high priority observation noting weaknesses in the cooperating partner management process (Observation 2). Gaps were noted in the areas of: (a) cooperating partner selection, due diligence, and capacity assessment; (b) field level agreement management and cost allocation; and (c) performance assessment and spot checks.

7. The country office needs to strengthen this process by: (i) implementing a structured approach with procedures for the identification, due diligence, selection and contracting of partners; (ii) assessing the effectiveness of the current setup for cooperating partner selection, and updating the terms of reference of the relevant committees and standard operating procedures accordingly; (iii) establishing cross-functional spot checks in line with corporate guidance, and a plan to pilot the process moving forward; and (iv) aligning operational plans and cost allocation across activities to ensure adequate reporting.

### Actions agreed

8. The audit report also contains 4 medium priority observations. Management has agreed to address the reported observations and to implement the agreed actions by their respective due dates.

### Thank you!

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

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<sup>1</sup> As reported in the 2023 [Annual Country Report](#).



## II. Country context and audit scope

### El Salvador

10. El Salvador is a lower-middle-income country in Central America. It has a population of 6.3 million people, making it the smallest and most densely populated country in Central America.<sup>2</sup> It ranked 127 out of 193 countries in the 2023-2024 human development index,<sup>3</sup> and 126 out of 180 countries in the 2023 Transparency International Corruption Perceptions Index.<sup>4</sup>

11. As the country rebounded from the impacts of COVID-19, the surge in global food, fuel, and fertilizer prices affected the economy causing an increase in the basic food basket of urban and rural areas by 28 percent and 30 percent, respectively, over the past three years.<sup>5</sup> Food production represents only 5 percent of the gross domestic product, and the country relies heavily on food imports. Further, 26 percent of families experience multidimensional poverty, grappling with multiple disadvantages.

### WFP operations in El Salvador

12. WFP operations in El Salvador are guided by the 2022-2027 Country Strategic Plan. After two budget revisions, the current budget reached USD 134.1 million over the entire period. The country strategic plan is aligned to the United Nations Sustainable Development Cooperation Framework (2022-2026) and key national policies and strategies such as the Social Development Plan (2019-2024). The country office has about 63 staff as of August 2024, all based in San Salvador.

13. In addition to its crisis response activities, the country office implemented innovative projects: for example, WFP supported the Government's school feeding and health programme through the procurement of raw materials for the production of Biofortik;<sup>6</sup> and implemented kitchen-in-a-box, a project whereby WFP equipped kitchens in three national schools, providing sustainable and adequate infrastructure for preparing and serving food. These, in addition to the Gastro-Lab project<sup>7</sup> and other activities represent the country office's efforts in the changing lives spectrum of operations.

### Objective and scope of the audit

14. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal control processes related to WFP operations in El Salvador. Such audits contribute to an annual and overall assurance statement to the Executive Director on governance, risk management and internal control.

15. The audit focused on the main activity of the country strategic plan, with a reported USD 6.6 million in direct operational costs for 2023 representing 56 percent of the total direct operational costs for the year. The country office assisted approximately 45,000 beneficiaries in 2023 under its crisis response activity.

- *Activity 1: Provide immediate nutrition-sensitive food assistance to crisis-affected populations to meet their essential needs and facilitate relief and early recovery.*

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<sup>2</sup> [El Salvador Country Strategic Plan 2022-2027](#)

<sup>3</sup> [Human Development Report 2023-2024](#)

<sup>4</sup> [Corruption Perceptions Index 2023](#)

<sup>5</sup> [WFP El Salvador 2023 annual country report](#)

<sup>6</sup> A fortified beverage distributed regularly to children from kindergarten to third grade in public schools.

<sup>7</sup> A training programme aimed at certifying young people in culinary skills to enhance their access to employment opportunities and income generation.

16. To minimize duplication of efforts and leverage the assurance work of the second line, the audit partially relied on the oversight missions from the Regional Bureau for Latin America and the Caribbean (hereinafter referred to as “the regional bureau”). These missions included:

- November 2023: Remote oversight covering monitoring and evaluation and the community feedback mechanisms.
- October 2023: Joint oversight and support mission covering governance, human resources, programme (targeting, beneficiary management, delivery reconciliations, and community feedback mechanisms), cooperating partner management, budget and programming, and supply chain.

17. The areas in scope, as identified in the audit engagement plan, included: (i) risk management and management oversight; (ii) management of cooperating partners; and (iii) cash-based transfers. The audit also included partial reviews of external stakeholder relations management and communication, programme design and implementation of the crisis response activity, monitoring activities, and community feedback mechanisms.

### Figure 1: Areas in audit scope

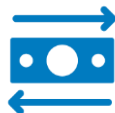
*Full Audit Coverage:*



Risk  
management



Management of  
cooperating  
partners



Cash-based  
transfers

*Partial Audit Coverage:*



External  
stakeholder  
relations  
management



Programme  
design &  
implementation



Monitoring



Community  
feedback  
mechanisms

18. The audit mission took place from 19 to 30 August 2024 at the country office in San Salvador and included visits to operations in Sonsonate and San Miguel. 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

19. Five observations resulted from the audit, relating to risk management and management oversight, management of cooperating partners, monitoring, community feedback mechanisms, and cash-based transfers. Other audit issues assessed as low priority were discussed directly with the country office and are not reflected in the report.

### Risk management and management oversight

20. The audit tested and reviewed the country office's processes for identifying and analyzing risks (including fraud risks) and implementing mitigating actions to achieve operational objectives. It also examined the adequacy of management oversight, including the segregation of duties and the functioning of management committees.

21. The country office established tools for management oversight, including regular reporting on procurement and cash-based transfers. It also monitored trends and certain operational indicators to inform its decisions, supplementing the information available in corporate systems and dashboards.

22. In June 2024, the country office received a USD 100,000 funding allocation from WFP's headquarters, earmarked for risk monitoring and control-enhancing activities. Management developed a plan to prioritize the resources, aiming at strengthening internal controls in areas such as community feedback mechanisms, supply chain, and cooperating partner management. At the time of audit reporting, the country office was working with a consultant on enhancing risk management activities and performing internal control assessments.

#### Observation 1. Potential fraud risks have not been assessed

##### *Evolution of the country office's risk profile*

23. Between 2020 and 2024, the country office's risk profile evolved with the proportion of high risks decreasing from 50 percent to 20 percent. Thirty percent of risks in the 2024 register were assessed as low risks. Management attributed this change to an improved security context in the country, which facilitated the implementation of operations and lowered staff exposure to risks. Fiduciary risks recorded in the risk register were primarily related to health and security, while financial risks were consistently linked to price volatility. The regional bureau joint oversight and support mission report included a recommendation for the country office to expand the risk register to incorporate other potential risks that could impact the country strategic plan implementation.

##### *Fraud risk assessment*

24. Fraud risk assessments are an effective way to improve communication and awareness about fraud amongst WFP employees and partners. They also promote the identification of potential vulnerabilities in key process areas and enable the organization to become more resilient to fraud, while acting both as a fraud deterrent and a means to help managers allocate appropriate resources based on their assessment of the impact and likelihood of risks.<sup>8</sup>

25. The country office has not carried out a fraud risk assessment on key processes such as beneficiary selection, procurement, and delivery of cash-based transfers that are inherently prone to fraud risks. While this is not a mandatory requirement, the country office would benefit from a review of those key processes from an

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<sup>8</sup> WFP's fraud risk assessment guide, 2019.



anti-fraud perspective and in line with WFP's global assurance initiative. The country office indicated that it would carry out a fraud risk assessment focusing on cooperating partner management (see Observation 2).

Underlying cause: Country office internal assessments and regional bureau oversight indicated no increase in fraud risks or concerns about the integrity of operations.

#### **Agreed Action** [Medium priority]

In the context of implementing the additional corporate funding for control enhancements, and with the support from the regional bureau, the country office will conduct a Fraud Risk Assessment and implement any additional risk mitigations as appropriate.

#### **Timeline for implementation**

31 December 2024

## Management of cooperating partners

26. During the audit period, the country office contracted six non-governmental organizations to implement programmatic activities. The value of purchase orders for distribution agreements<sup>9</sup> charged to Activity 1 was approximately USD 0.8 million over that period.

27. The regional bureau reviewed the management of cooperating partners during its joint oversight and support mission in October 2023 and raised two high priority recommendations relating to the: (a) use of the United Nations Partner Portal (UNPP); and (b) alignment of the process to corporate guidelines. These recommendations had not been implemented at the time of audit fieldwork.

28. The audit assessed the processes for identifying and selecting partners, as well as monitoring of partnerships, including the availability of performance evaluations and spot checks.

### Observation 2. Weaknesses in the cooperating partner management process

#### *Partner selection, due diligence, and capacity assessment*

29. The country office did not: (a) use the UNPP in the cooperating partner selection process as required by corporate guidance; and (b) maintain an updated roster of partners. Instead of using these tools to scan the landscape for potential partnership opportunities, the country office worked with the same partners for years. At the time of the audit fieldwork, the country office planned to launch an expression of interest to identify potential partners and start building a roster. These potential partners should then be encouraged to register in the UNPP.

30. In addition, the country office did not carry out any due diligence to determine whether the partners met the minimum corporate standards, nor any capacity assessments to identify areas that need capacity strengthening and frequency of assurance activities.

31. According to corporate guidelines, the Cooperating Partner Committee (CPC) is responsible for recommending a partner to the country director, who must approve the selection before the Field Level Agreement (FLA) is signed. The audit noted exceptions in two samples indicating that the CPC may not be functioning effectively. In one case, the FLA was signed by the partner before the CPC convened, invalidating the

<sup>9</sup> This is the type of purchase order used in WFP to register field level agreements for distribution of assistance.



purpose of this committee, and reducing the transparency of the partner selection process. In another case, the audit did not obtain the finalized signed copy of the FLA, or any documentation related to the CPC's review.

#### *Field Level Agreement management and cost allocation*

32. Most of the FLAs reviewed used an outdated template instead of the most recent one. In addition, there were instances of missing information, such as dates, bank information, and addresses.

33. The country office's approach to cost allocation for cooperating partnership agreements involves charging related costs to different activities based on programmatic or budgetary considerations. Out of 14 purchase orders for distribution agreements charged to Activity 1 during the audit period, at least four amounting to USD 347,000 (45 percent of the total) should have been charged to Activity 3, according to the country office's operational plans. While the country office indicated that Activity 1 included compatible early recovery actions under crisis response, the practice could lead to inaccurate financial and performance reporting and misclassification of expenses.

#### *Performance assessment and spot checks*

34. The partner performance evaluation process was not harmonized. In some cases, the evaluation was done through an in-person presentation to the partner, identifying positive aspects of the partnership as well as improvement points. In other cases, the evaluation was done internally through a form, which included limited feedback and did not contain a clear conclusion. The country office would benefit from having a more structured and consistent evaluation process for all partners.

35. The country office's finance unit conducted invoice verifications, reviewing detailed expenditures charged by partners to ensure their accuracy. There is an opportunity to strengthen this process by introducing a structured approach to spot checks, taking into account the following aspects: (a) cross-functional reviews (covering programmatic, logistics, financial, and managerial elements); (b) a combination of questionnaires, checklists, and on-site visits to review partners' internal controls; and (c) establishing standard procedures.<sup>10</sup>

Underlying causes: Insufficient management oversight; policies and procedures (existing standard operating procedures are not followed, and procedures are relatively new in WFP); process and planning (intervention timelines are short and leave limited space for structured spot checks); limited resources (staffing) in the country office; implications of cost allocation of cooperating partnership agreements into different activities not assessed and reviewed.

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

The country office, with support from the regional bureau, will:

1. Implement a structured process for cooperating partner management by establishing procedures for the identification, due diligence, selection, and contracting of partners, including the following:
  - (i) Adopting the United Nations Partner Portal as the platform for cooperating partner selection and developing and maintaining a roster of potential cooperating partners.
  - (ii) Carrying out and documenting due diligence and capacity assessment of potential partners.
  - (iii) Ensuring that field level agreements are aligned with the latest corporate template and that all required information are included in the agreement.

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<sup>10</sup> Including criteria for selection and scoping, methodology in performing the spot checks, and workflow in reporting results and developing action plans.





- (iv) Standardizing partner performance evaluations to include qualitative remarks/feedback, recommendations, conclusion, and partner risk, using the WFP Performance Evaluation Tool as the basis (adjusted to country office context).
- 2. Assess the effectiveness of the current setup for selecting cooperating partners and update the terms of reference of the committee and standard operating procedures in line with corporate guidance.
- 3. Using the WFP guidance, develop and implement standard operating procedures for cross-functional spot checks, and establish a plan to pilot the process in the coming months/year.
- 4. Align operational plans and cost allocation across activities to ensure adequate reporting.

#### **Timeline for implementation**

30 April 2025

## **Monitoring and community feedback mechanisms**

36. The audit reviewed the use of a monitoring plan, assessed the independence of the monitoring function, practices for process monitoring including coverage of post-distribution activities, and the process of tracking and escalating monitoring issues. In addition, the audit reviewed the local community feedback mechanisms (CFM) against WFP corporate standards. The monitoring function was composed of one monitoring officer, one programme associate, and four monitoring assistants. The CFM was managed by one business support assistant.

37. In 2023, the regional bureau conducted a remote oversight of the monitoring and evaluation, and CFM functions, and raised 16 recommendations. At the time of the audit fieldwork, there were four recommendations pending implementation: one related to CFM and three related to evaluation.

### **Observation 3. Gaps in monitoring strategy and execution**

#### *Missing elements of the monitoring strategy*

38. WFP's monitoring guidance<sup>11</sup> indicates that, while a monitoring strategy is not a corporate requirement, having one in place ensures that monitoring activities take place in a well-planned, logical and systematic manner. The country office monitoring strategy should describe the full range of activities, systems, reports, responsibilities, and procedures required to establish a robust and integrated monitoring system for each geographic level of the country office.

39. The country office has various documents comprising its monitoring strategy. Recently, the strategy was updated and supplemented with standard operating procedures as recommended by the regional bureau. However, compared to the corporate monitoring guidelines, some of the main elements were missing in the strategy, such as a vision section and the roles and responsibilities of management and other units.

#### *Limited distribution monitoring and absence of a risk-based approach*

40. The distribution monitoring coverage was limited. The country office focused on data collection and post-distribution monitoring. In an effort to comply with the minimum monitoring requirements, the country office indicated that it started, in the second half of 2024, piloting distribution monitoring of cash-based transfer activities in one of its areas of operation. The country office plans to roll this out to the entire country in 2025.

<sup>11</sup> WFP Monitoring handbook, Appendix I and the recently introduced Global Assurance benchmarks on monitoring.



41. The country office did not follow a risk-based approach to prioritizing sites for monitoring visits as required by the latest minimum monitoring requirements. Instead, the sites were selected using random sampling. Implementing a risk-based approach would allow the country office to prioritize high-risk sites, considering the resources available to perform monitoring work.

#### *Monitoring systems and tools*

42. The monitoring plan for 2024 was not updated. For the sampled locations, the country office conducted monitoring visits that were not reflected in the plan. As a result, the extent of monitoring carried out in each district could not be determined. Further, the country office did not have a tool to track the actual coverage of specific distribution points or sites monitored. Since the monitoring plan was at the district level, the audit could not determine which specific sites were covered in each district (by monitoring activities and the percentage of actual sites monitored).

43. Lastly, the country office had not implemented a tool to systematically track monitoring findings and recommendations as required by corporate standards. As a result of the regional bureau's oversight report, the country office developed a spreadsheet for this purpose, but it was not yet in use at the time of the audit fieldwork.

Underlying causes: Partial application of existing standard operating procedures; recent update to the minimum monitoring requirements, which the country office has been adopting gradually; insufficient implementation or integration of tools and systems; insufficient management oversight; insufficient staffing levels and skills.

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

The country office will:

1. Update the monitoring strategy to incorporate all the components defined by the corporate monitoring guidance, and establish the resources required to implement it.
2. Establish a structured monitoring process in accordance with the corporate guidance by: (a) implementing distribution monitoring; (b) implementing a risk-based approach to prioritize distribution points or sites to visit when required by the context; and (c) developing and implementing a tool to track the actual coverage of distribution points/sites monitored.
3. Establish adequate monitoring reporting practices, in line with existing standard operating procedures, including: (a) implementing a tool to track, escalate, and follow up on monitoring issues; and (b) establishing regular reporting of common issues and trends to inform programmatic and managerial decision-making.

#### **Timeline for implementation**

30 June 2025

### **Observation 4. Limited beneficiary awareness and tools supporting the community feedback mechanisms**

#### *Limited beneficiary awareness and engagement*

44. During visits to Sonsonate and San Miguel, beneficiaries interviewed by the audit generally lacked awareness of available feedback channels. Despite the country office's continuous efforts, its current strategies have not sufficiently engaged beneficiaries to understand their rights, WFP's beneficiary selection criteria, and available community feedback mechanisms. On the other hand, according to the country office's 2023 CFM logs, 99 percent of the calls related to information requests, and only 1 percent related to complaints or feedback.



### *Assessment of the planned chatbot facility*

45. As part its investments on control enhancements (refer to paragraph 22), the country office planned to implement a WhatsApp chatbot supporting its CFM. While the plan responded to the need for better resource allocation (to allow staff to focus on critical cases rather than on information requests), it was not based on a comprehensive consultation and assessment considering beneficiary preference and needs. This could reduce the effectiveness of the planned investment, as it is unclear whether beneficiaries would be comfortable using the chatbot, have sufficient network coverage or adequate devices to use it, and to what extent it would ultimately allow for enhanced beneficiary outreach and engagement.

### *Case management and channel segregation*

46. The country office maintains its CFM log in a spreadsheet. Given its manual nature, it does not follow a standardized template, and it does not include specific fields to indicate when each case was created and the relevant closure dates, so that the country office can track the response turnover rate and timelines.

47. The country office used the existing hotline to send outgoing messages to beneficiaries. This may create the perception that the hotline is only a one-way channel for beneficiaries to receive messages, thus diluting its effectiveness as a feedback mechanism. In addition, while the country office produced regular reports on common issues, complementary analyses on trends and root causes could enhance programmatic decision-making.

Underlying causes: Insufficient financial resources; short intervention timelines (limited opportunity for additional community engagement activities); limited implementation or integration of tools and systems (the country office was not prioritized for the deployment of Sugar CRM, hence resorting to manual tracking tools).

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

The country office, with the support from the regional bureau, will:

1. Develop and implement a community engagement strategy, aimed at enhancing beneficiary awareness of their rights, targeting criteria, and preference for feedback mechanisms (including the feasibility of the chatbot).
2. Update the case management spreadsheet using recently issued corporate guidelines, to enhance case tracking and information management, and to facilitate analysis and reporting.
3. Establish additional regular reporting, including trend and root cause analysis, to better inform programmatic decisions.

#### **Timeline for implementation**

30 June 2025

## **Cash-Based Transfers**

48. In 2023, WFP distributed USD 4.4 million through cash-based transfers to people affected by climate events and the global economic crisis in El Salvador<sup>12</sup> with 97 percent of the amount representing direct cash transfers, and the remaining 3 percent relating to value vouchers. The country office used two financial service providers to transfer cash to beneficiaries during the audit period.

49. The audit conducted tests and reviews of the governance arrangements, operational setup, and delivery of cash-based transfers.

<sup>12</sup> According to the [2023 Annual Country Report](#).



## Observation 5. Operational challenges for cash-based transfers

### *Governance and operational setup*

50. In addition to the regular cash working group, the country office established a technical sub-working group to facilitate decisions regarding transfer mechanisms and financial service providers. The role and scope of work of the sub-working group were unclear and appeared redundant, considering that those operational decisions could be within the role of an activity manager or the main working group itself.

51. The following aspects of the operational setup of cash-based transfers could have potential beneficiary protection implications requiring management attention: (i) beneficiaries' awareness of the targeting criteria and their rights (see [Observation 4](#)); (ii) the country's legal requirement for beneficiaries to sign receipts at the bank, resulting in some of them having to resort to witnesses, including in some cases the cooperating partner staff; and (iii) the security of personal identification number codes for withdrawals via automated teller machines, to ensure that only the authorized individual conducts the transaction, thereby minimizing cases where family members withdraw funds on their behalf.

### *Processing and reconciliation*

52. There was manual processing of information in at least two specific points throughout the cash transfer cycle: the upload of distribution lists in the bank's platform, and at the final reconciliation. The country office could assess or re-design those steps of the transfer and reconciliation process to incorporate compensating controls.

53. At the time of the audit fieldwork, the country office was resuming the process to engage additional financial service providers, including options for mobile money. Implementing the latter could facilitate transfer reconciliation, help clarify the expected role of cooperating partners, and mitigate some of the potential protection issues referred to in paragraph [51](#) above.

Underlying causes: Unclear roles and responsibilities; insufficient or inadequate capacity or training of cooperating partners; external factors beyond the control of WFP (government regulations in the banking sector); insufficient integration of tools and systems.

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

The country office will:

1. Finalize assessments and implement diversification of financial service providers and transfer mechanisms.
2. Conduct an assessment of the cash-based transfer process to: (i) clarify the governance structure, including the functioning of the cash working group and its sub-committee; and (ii) identify control points where manual intervention could require additional checks or oversight.

### **Timeline for implementation**

30 May 2025



## Annex A – Agreed action plan

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

The agreed action plan is primarily at the CO level.

#	Observation (number/title)	Area	Owner	Priority	Timeline for implementation
1	Potential fraud risks have not been assessed	Risk management and oversight	CO	Medium	31 December 2024
2	Weaknesses in the cooperating partner management process	Management of cooperating partners	CO	High	30 April 2025
3	Gaps in monitoring strategy and execution	Monitoring	CO	Medium	30 June 2025
4	Limited beneficiary awareness and tools supporting the community feedback s	Community Feedback Mechanism	CO	Medium	30 June 2025
5	Operational challenges for cash-based transfers	Cash-Based Transfers	CO	Medium	30 May 2025

## 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>13</sup>

<sup>13</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 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

CFM	Community Feedback Mechanism
CPC	Cooperating Partner Committee
FLA	Field Level Agreement
OIGA	WFP's Office of Internal Audit
UNPP	United Nations Partner Portal
USD	United States dollars
WFP	World Food Programme