

Internal Audit of WFP Operations in Lao People's Democratic Republic

Office of the Inspector General
Internal Audit Report AR/26/11



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I. Executive summary

WFP in Lao People's Democratic Republic

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Lao People's Democratic Republic (hereafter referred to as Lao PDR). The audit focused on governance (including risk management and office organisational structure), programme planning and budgeting, needs assessment and targeting, identity management, accountability to affected populations, cooperating partners' management, supply chain (including procurement and logistics) and monitoring. It also included tailored reviews of cash-based transfer, in-kind delivery, partnerships and finance.

2. The audit covered the period from 1 January to 31 December 2025. During this period, WFP's direct operational expenses in Lao PDR were USD 19.2 million, reaching approximately 332,000 beneficiaries.

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.

Positive observations

4. Over the audited period, the country office managed its partnerships effectively. Government counterparts and other partners identified WFP as a trusted partner in advancing national and UN priorities at both strategic and operational levels. The country office maintained strong working relationships with the Government, UN agencies, and corporate partners through regular engagement, coordination, and collaboration. Interventions under the 2022–2026 Country Strategic Plan were closely aligned with the national development agenda, reflecting government priorities, policies, and institutional frameworks.

5. The country office continues to deliver programmes and assistance despite structural constraints. These include limited government capacity, funding pressures, weak data and monitoring systems, and sustainability gaps, which collectively affect programme delivery, targeting accuracy, and the transition towards nationally owned systems.

Actions agreed

6. The audit report contains three high-priority observations related to cooperating partner management, targeting and beneficiary identity management, and operational cash advances.

7. [Observation 2: Cooperating partner management](#). Weaknesses in cooperating partner management, financial reporting, and budgetary controls were identified. The absence of purchase



orders, combined with deficiencies in invoice processing, financial recording, and management oversight, resulted in USD 1.3 million in delayed payments of outstanding payables to a cooperating partner. In addition, the country office did not apply a systematic, risk-based approach to cooperating partner assurance, as key partners were excluded from spot-check activities and the largest long-term cooperating partner was re-engaged under a new USD 6.9 million agreement without a documented performance evaluation. These gaps reduced assurance over partner performance, affected the accuracy and timeliness of financial reporting, and increased the risk of non-compliance with grant management, procurement and financial control requirements.

8. [Observation 4: Targeting and beneficiary identity management.](#) Targeting decisions were made without structured oversight or consistent cross-functional input, while the lack of standardised identity management processes and a national unique identification system resulted in inconsistent practices and reliance on manual approaches. Limited access to reliable household data, combined with weak data quality controls and delays in implementing planned improvements, further affected targeting accuracy. At the time of the audit, key recommendations from the 2022 privacy impact assessment, particularly in relation to data governance and protection, remained outstanding.

9. [Observation 9: Operational cash advances.](#) The audit identified areas for improvement in the management and oversight of operational cash advances, estimated at USD 1.5 million in 2025. Advances were issued and managed in ways not fully aligned with established requirements, including use by ineligible personnel, multiple concurrent advances, and delegation of cash handling responsibilities, which reduced accountability and transparency. The clearance process relied mainly on administrative and financial checks, with limited independent oversight, and no involvement of programme staff to confirm alignment with activities. In addition, monitoring of advances was largely manual, with limited analytical review and insufficient field-level verification, reducing the country office's ability to identify risks and ensure effective control over funds.

10. The audit also highlighted six medium-priority observations related to risk management and governance, programme planning, community feedback mechanisms, supply chain, cash-based transfers and monitoring.

11. Management has agreed to address the nine reported observations and implement the agreed actions by their respective due dates.

Thank you

12. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation.

II. Country context and audit approach

Lao People's Democratic Republic

13. Lao PDR is a lower-middle-income country¹ with an estimated population of 7.9 million.² It ranked 147 of 193 countries in the 2025 Human Development Index³ and 109 of 182 countries in the 2025 Transparency International Corruption Perceptions Index.⁴

14. Following a period of significant macroeconomic instability characterised by high inflation, currency depreciation and elevated public debt, Lao PDR experienced gradual stabilisation in 2025, including a more stable exchange rate and easing inflation.⁵ Despite these improvements, poverty, food insecurity, and malnutrition remained key drivers of vulnerability.

15. Economic pressures and climate-related shocks continued to affect livelihoods and household resilience. The country is highly exposed to floods, tropical storms, landslides, and droughts, which increasingly affect rural communities and agricultural systems. During the 2025 monsoon season, multiple storms and typhoons caused widespread flooding and landslides, affecting over 300,000 people nationwide.⁶

WFP operations in Lao PDR

Table 1 – Key data on budget, expenditure and beneficiaries

2025 figures in millions (m)				
Needs-based budget: USD 19.4 m		Expenditure: USD 19.2 m (98%)		Beneficiaries:  332,000
Detailed expenditure in 2025 in millions (m)				
FT cost \$ 3.5 m	CBT cost \$ 1.8 m	CCS cost \$ 10.7 m	Service Delivery \$ 0.3 m	Imp cost \$ 2.7 m

16. WFP's operations in Lao PDR are guided by its country strategic plan covering the period from January 2022 to December 2026. After three budget revisions, the plan's budget reached USD 116 million over the entire period. In 2025, WFP's operations in Lao PDR focused on school feeding activities, smallholder market support, malnutrition prevention, food assistance for assets, and crisis response through cash-based transfers and on-demand services.

¹ [World Bank Group country classification by income level](#)

² [World Population Dashboard - Lao People's Democratic Republic | United Nations Population Fund](#)

³ [Human Development Insights | UNDP](#)

⁴ [Corruption Perception Index 2025](#)

⁵ [World Bank, Lao Economic Monitor - December 2025](#)

⁶ [Laos' Annual Country Report 2025](#)



17. Under Strategic Outcome 1, WFP aims to improve food security, nutrition, and learning outcomes for schoolchildren in vulnerable areas through a sustainable National School Meals Programme. In 2025, WFP Lao PDR delivered 15.3 million meals to 198,800 students across 1,609 schools (including 702 directly implemented) and trained 2,990 smallholder farmers in climate-smart agriculture.⁷

18. Strategic Outcome 2 focuses on improving nutrition among vulnerable groups, particularly women and girls of reproductive age, children under five, and at-risk school-aged children. In 2025, WFP Lao PDR supported 14,000 people through conditional cash transfers and capacity strengthening, while also improving dietary diversity among women and young children.

19. Through Strategic Outcome 3, WFP supports vulnerable populations in disaster-affected or at-risk areas to enhance food security and resilience to climate and other shocks. In 2025, WFP Lao PDR provided USD 880,000 in cash to 6,698 households through food assistance for assets and sustainable livelihoods programmes. Smallholder farmers also generated USD 367,540 in income through WFP-supported aggregation systems.

20. Strategic Outcome 4 addresses the immediate needs of crisis-affected populations. In 2025, WFP Lao PDR transferred USD 617,000 in cash to 22,700 people affected by floods and storms to support food needs and early recovery.

21. Under Strategic Outcome 5, WFP supports government and partners with reliable common services. In 2025, WFP Lao PDR handled and stored 3,800 metric tons of rice and delivered 1,050 metric tons of emergency rice to 12 provinces.

WFP's organisational redesign and funding context

22. The results of this audit, and specifically the agreed action plans, should be read in the context of the organisational changes ongoing in WFP at the time of audit reporting.

23. Following the organisational structure review in 2023, WFP announced in October 2024 the adoption of a "one integrated global headquarters" model, put in operations on 1 May 2025. This model aims to ensure better support to country offices, consolidating the delivery of key enabling services via a network of global hubs. Further, in February 2025 WFP emphasised the implementation of cost efficiency measures, in view of projected donor forecasting and the overall widening resource gap.

24. In March 2025, WFP issued a Management Accountability Framework, aimed at enhancing accountability, authority, performance, and results across country offices, regional levels, and global operations – the latter two being now part of Global Headquarters. The framework outlines functional roles and responsibilities at various levels, including country directors, regional directors, and global functions. It establishes a support structure with a defined chain of command and explicit accountability, aiming at ensuring flexibility and operational efficiency.

⁷ Ibid

Objective, scope and methodology of the audit

25. The audit's objective is to provide independent and objective assurance on the effectiveness of governance, risk management, and internal control processes supporting WFP operations in Lao PDR. This audit contributes to the broader objective of issuing an annual assurance statement to the Executive Director regarding the adequacy and effectiveness of governance, risk management, and internal control systems across WFP.

26. The audit focused on Activities 1, 3, and 4 of the Country Strategic Plan, which reported USD 15.55 million in direct operational costs for 2025, representing 81 percent of the total direct operational costs and 96 percent of the beneficiaries reached for the year. Table 1 summarises the direct operational costs and beneficiaries assisted in 2025.

Table 2 – Direct operational costs and beneficiaries assisted in 2025

Activity	Direct operational costs (USD millions)	Percentage of total	Beneficiaries	Percentage of total
Activity 1: Provide direct support and technical assistance to the Government to strengthen and complement the National School Meals Programme and to facilitate a sustainable transition to the Government.	11.80	61 %	256,000	77 %
Activity 3: Provide assistance and technical support to target communities and government entities to build their resilience to climate and other shocks through strengthened capacities in disaster and climate risk management and social protection.	3.00	16 %	40,000	12 %
Activity 4: Provide nutrition-sensitive cash-based transfers or food assistance to help meet the essential needs of crisis-affected populations.	0.75	4 %	23,000	7 %
Sub-total: activities in audit scope	15.55	81 %	319,000	96 %
Other activities not in audit scope	3.60	19 %	13,000	4 %
Total country strategic plan in 2025	19.15	100%	332,000	100 %

27. In defining the audit scope, the Office of Internal Audit considered coverage by second and third-line oversight providers such as the Asia and the Pacific Regional Office (APARO) functional oversight and support works on cash-based transfers and Supply Chain completed in 2025.

28. Figure 1 below shows the areas in the scope, as identified in the audit engagement plan.

Figure 1 – Process areas in the audit scope*Full audit coverage:**Partial audit coverage:*

29. The audit mission took place from 4 to 15 May 2026 at the country office in Vientiane. It included visits to the Pakse field office and school feeding sites in Ban Khong.

30. The audit assessed country office operations against established benchmarks to determine compliance, efficiency and effectiveness with the following criteria:

- a. WFP corporate strategies, policies, procedures and guidelines, and local standard operating procedures and guidelines, as appropriate, covering the processes in the audit scope.
- b. Applicable international standards and frameworks.
- c. Agreements and donor requirements including bilateral agreements, Memoranda of understanding, and other applicable operational agreements in support of the CSP.
- d. Standards and best practices in humanitarian operations, including benchmarks set by UN system-wide coordination bodies or peer organisations.

31. The audit applied these criteria in consideration of the country office's operational context, to guide the assessment of the country office's governance, risk management, and control processes



to ensure alignment with WFP's strategic objectives and principles of accountability, transparency, and value for money.

32. The audit used a comprehensive methodology that included: interviews with key WFP personnel and external stakeholders; reviewing relevant documentation; walkthroughs, process mapping; performing data analyses; field visits; transaction testing; root cause analysis; and verifying compliance with applicable policies and procedures.

33. The audit was conducted in accordance with the *Global Internal Audit Standards* issued by the Institute of Internal Auditors, ensuring consistency, quality, and adherence to internationally recognised professional practices.

34. The draft report was shared on 4 August 2026 and final comments received on 28 August 2026.



III. Results of the audit

Audit work and conclusions

35. Nine observations resulted from the audit, relating to governance and risk management, cooperating partner management, programme planning and budgeting, targeting and beneficiary identity management, accountability to affected populations, supply chain, cash-based transfers, monitoring and finance.

36. Other audit issues assessed as low priority were discussed directly with the country office and are not reflected in the report.

Governance and risk management

37. The country office has approximately 200 staff supporting programme and operational activities. In 2025, it undertook an organisational realignment to better align its staffing structure.

38. The country office operates in a context where regulatory and institutional constraints limit the number and capacity of available cooperating partners. This has led WFP to directly implement certain programme activities when suitable partners are not available or are unable to meet operational needs.

39. The audit assessed the adequacy and effectiveness of governance and risk management arrangements, including the establishment and functioning of governance structures; the identification, assessment, and monitoring of risks and mitigation measures; the quality of risk reporting to key stakeholders; and the adequacy of human resources capacity and workforce planning to support programme delivery.

Observation 1. Governance, risk management, and oversight

Governance and risk management

40. The audit identified weaknesses in the country office's risk management, governance arrangements, and oversight, which limited the effectiveness of risk identification, assessment, mitigation, and monitoring across operations. Overall, these weaknesses lead to a fragmented and reactive risk management approach, increasing the likelihood that significant risks are not promptly identified, mitigated, or escalated to management.

41. Risk management was not sufficiently embedded across the country office, and risk ownership remains uneven across functions and locations. The absence of designated risk focal points at the sub-office level also limited the systematic identification, assessment, and escalation of risks.

42. The country office risk register does not provide a comprehensive view of key operational risks. While it includes nine risks rated as medium, several critical risk areas are not captured, including beneficiary identity management, cash-based transfers, financial resource management, monitoring activities, and operational fraud risks. Gaps were also noted in the definition of risk ownership and prioritisation, clarity and specificity of mitigation measures, and the effectiveness



of risk monitoring processes. As a result, the risk register does not adequately support programmatic decision-making or proactive risk management.

43. While staffing reviews and adjustments have been undertaken, these have not resulted in a workforce configuration fully aligned with the country office's evolving risk profile and operational demands. In view of the upcoming country strategic plan, it would be useful for the country office to develop a comprehensive human resource strategy, supported by a structured skills gap analysis. This would support a systematic assessment of staffing needs and the development of a workforce plan to ensure adequate capacity in critical areas, including security, risk management, and field operations.

Risk oversight

44. Governance structures supporting risk management are also not fully operational. There is no functioning risk management committee to provide structured oversight and challenge risk-related matters. In addition, the cash working group does not meet regularly, reducing the effectiveness of coordination and oversight in high-risk operational areas such as cash-based transfers.

Underlying causes:

<i>Process and planning</i>	Inadequate risk management
<i>Oversight and performance</i>	Insufficient oversight from local management

Agreed Actions [Medium priority]

The Director of the Country Office will:

- (i) Review its risk management structure and embed risk management and control ownership within operational processes by ensuring that process owners actively assess and manage risks; and update its risk register to capture all critical risks, clearly linking mitigating actions to root causes, and ensuring that fraud risks are considered.
- (ii) Strengthen the effectiveness of governance and coordination committees, ensuring that their frequency, agendas, and outputs are commensurate with operational scale, complexity, and risk exposure.

Timeline for implementation

31 January 2027

Cooperating partner management

45. During the audit period, the country office worked with five cooperating partners: four non-governmental organisations (two local and two international) under field level agreements and one government entity under technical assistance agreement, with a total value of USD 18.2 million. In 2025, no dedicated cooperating partner management team was in place, while the deputy head of programme oversaw the cooperating partner management processes in coordination with activity managers.



46. The audit covered the overall management of cooperating partners, including selection, field level agreements, and performance evaluations.

Observation 2. Cooperating partner management

Cooperating partners spot-check and evaluation

47. The country office did not establish an annual cooperating partner spot-check assurance plan, as required by corporate guidance, limiting the application of a systematic and risk-based approach to partner oversight. While spot-checks were conducted for two cooperating partners, these did not include larger and key long-term partners, leaving a significant portion of programme activities implemented through cooperating partners without adequate assurance.

48. A performance evaluation was not conducted for the largest and long-term cooperating partner at the end of its previous Field Level Agreement in September 2025. A new agreement with this partner with a value of USD 6.9 million was signed through September 2029. Although the continued engagement of the partner was linked to donor provisions, the absence of a performance evaluation limited the ability to assess performance and identify improvement areas. In addition, no process was in place to request and document feedback from cooperating partners on the country office's processes and performance.

Cooperating partner invoice payments

49. From 2024 to 2025, a cooperating partner implemented activities and incurred expenditure without the country office issuing purchase orders (POs), resulting in the absence of committed funds at the time costs were incurred. This practice led to the accumulation of significant unpaid partner invoices totalling USD 1.3 million and a funding gap estimated at approximately USD 400,000.

50. To address the funding gap and facilitate payment to the partner, the country office requested the submission of revised invoices to replace the original invoices, enabling costs to be charged against open POs. It subsequently utilised funds from a new award to pay the invoices (relating to activities implemented in the previous year) and revised the associated workplan to accommodate such expenditure. As a result, expenditure incurred in one award cycle was effectively charged to a subsequent award, indicating weaknesses in budgetary and grant management controls, reducing transparency over the funding source of activities, and limiting management's ability to accurately monitor funding utilisation.

51. For the same partner, expenditure of USD 177,607 incurred in the final quarter of 2025 and invoiced in January 2026 were not recorded in the 2025 financial year due to the absence of a purchase order. As of May 2026, the invoice remained unprocessed and pending regularisation through post factum purchase order.

52. Existing budget monitoring and oversight mechanisms, including Budget Committee reviews, did not detect or escalate the absence of committed funds and the increasing level of outstanding partner liabilities.



Underlying causes:

<i>Process and planning</i>	Inadequate process or programme design Insufficient coordination - internal or external
<i>Oversight and performance</i>	Oversight plans are not risk informed
<i>Resources – Funds</i>	Insufficient financial / cost management

Agreed Actions [High priority]

1. The Director of the Country Office will establish a process to operationalise an annual risk-based cooperating partner spot-check plan and consistently perform cooperating partner performance evaluations in line with corporate guidance and define a mechanism to systematically collect and document partner feedback on WFP processes and performance.
2. The Director of the Country Office will:
 - (i) Implement a formal process to systematically track and reconcile grant expenditure, commitments, and partner liabilities, ensuring that all costs are recorded against valid purchase orders and available budgets.
 - (ii) Establish budgetary and grant management processes to ensure that cooperating partner activities are authorised only after funding commitments are in place, and that expenditures are accurately recorded and allocated to the correct award and reporting period, and any exceptions are reviewed with relevant Headquarters units and addressed in accordance with donor and grant requirements.

Timeline for implementation

1. 30 April 2027
2. 30 April 2027

Programme planning and budgeting

53. The school feeding programme in Lao PDR aims to tackle the interconnected challenges of food insecurity, low school attendance, weak literacy outcomes, and limited access to basic services in rural areas. It is implemented in remote and vulnerable areas across 11 provinces and 17 districts, reaching approximately 63,000 children in over 700 schools. Beneficiaries include pre-primary and primary schoolchildren, as well as teachers, caregivers, and local communities.

54. The programme adopts an integrated, multisectoral approach that combines school feeding with complementary interventions in education, health, agriculture, and institutional capacity strengthening. It places strong emphasis on community engagement, government ownership, and a phased transition towards nationally led systems to ensure sustainability beyond the programme period.



Observation 3. Programme planning

Programme expenditure planning

55. The audit identified gaps in expenditure planning and resource visibility, and unclear community contribution arrangements within the school feeding programme. The absence of a structured expenditure planning and clear frameworks for community contributions result in a reactive approach to financial management and programme implementation, reducing transparency over resource allocation, weakening accountability, and increasing the risk of programme delivery disruption.

56. The country office lacked an activity-level expenditure plan, limiting its ability to effectively monitor commitments, forecast spending, and align expenditure with available funding. While the resource management committee discussions confirmed actual resource utilisation levels, these did not translate into a structured, forward-looking activity-level expenditure plan.

57. As a result, the country office lacked sufficient visibility on funding utilisation and outstanding liabilities. This contributed to the (a) accumulation of significant unpaid partner invoices; (b) issuance of purchase orders after service delivery; and (c) emergence of funding gaps, increasing the risk of non-compliance with financial controls and weakening financial discipline.

Underlying cause:

*Organisational direction,
structure and authority*

Strategic and operational plans not developed, approved, or not SMART

Agreed Action [Medium priority]

The Director of the Country Office will develop and maintain an annual activity-level expenditure plan aligned with commitments, forecasted spending, and available funding. The plan should be regularly updated to reflect changes in implementation, funding, and pipeline risks.

Timeline for implementation

31 January 2027

Targeting and beneficiary identity management

58. In 2025, the country office assisted approximately 332,000 beneficiaries across its school feeding, nutrition, resilience, and emergency activities, with its school feeding programme (Activity 1) accounting for 77 percent of those reached. To strengthen its targeting processes under the CSP 2022–2026, the country office developed a targeting strategy and standard operating procedures, issued in late 2024 and early 2025, respectively. It also conducted a Comprehensive Food Security and Vulnerability Assessment in 2025.

59. The audit reviewed the targeting and identity management governance, targeting assessment and implementation, beneficiary data collection and management processes.



Observation 4. Targeting and beneficiary identity management

Targeting and prioritisation – Activities 2, 3 and 4

60. Targeting and prioritisation decisions were made without structured oversight or systematic cross-functional input. Decisions were largely taken on a project-by-project basis, sometimes with limited involvement of Vulnerability, Analysis and Mapping team at early stages. This increased the risk of inconsistent application of standard targeting procedures across activities. For example, sample-based verifications were not consistently conducted despite reliance on secondary data for targeting.

61. The country office did not have standard operating procedures for identity management, resulting in inconsistent application of beneficiary identification practices across activities. Critical elements such as minimum identification requirements, roles and responsibilities ensuring adequate segregation of duties, and key controls over beneficiary verification and deduplication had not been established.

Household-level targeting – Activity 4

62. The country office generally faced challenges in accessing up-to-date household-level data for targeting purposes. In June 2025, it piloted the use of the national social registry in one province under an emergency activity, which highlighted limitations in relying on the registry alone to identify vulnerable households. While the country office identified key measures to improve targeting such as establishing data-sharing agreements with relevant government entities and addressing data quality issues, these had not yet been implemented at the time of the audit.

Beneficiary data management and privacy impact assessment

63. The absence of a national unique beneficiary identification system in Lao PDR created challenges for beneficiary management. Individuals relied on different documents such as family books and village certificates, which did not provide unique identifiers, or less commonly available, government-issued identification documents, limiting the reliability and consistency of beneficiary records.

64. For cash-based interventions, beneficiary identity management was inefficient, as it relied predominantly on manual registration through spreadsheets, increasing the risk of errors, inconsistencies, and potential manipulation of records. The country office did not utilise corporate digital solutions, such as MoDA,⁸ resulting in continued reliance on less controlled and non-standardised processes. In addition, beneficiary data collected during registration could not be verified at the country office against identification documents, as no copies or alternative means of verification were retained.

65. Controls over data cleaning, validation and duplicate detection remained weak and manual. Beneficiary data reviews highlighted recurring gaps, including incomplete names, missing mobile numbers, incorrect dates of birth and the absence of alternate contact details. Notably, an analysis of date of birth data revealed abnormal concentration patterns, with 62 percent (3,426 out of

⁸ WFP's primary tool for data collection.



5,543) of household heads registered in 2025 sharing the same day and month of birth. These deficiencies heightened the risk of duplicate registrations and the inclusion of ineligible beneficiaries, with most issues only being identified at distribution points.

66. In March 2022, the country office, in collaboration with APARO's data protection team, conducted a privacy impact assessment that identified eight key recommendations. At the time of the audit, critical recommendations had yet to be implemented, particularly those related to data governance, including weaknesses in data collection practices, data-sharing arrangements, and data security and retention controls.

Underlying causes:

<i>Organisational direction, structure and authority</i>	Unclear direction for planning, delivery, or reporting
<i>Policies and procedures</i>	Absence or inadequacy of local policies/guidelines
<i>Process and planning</i>	Insufficient planning
<i>Tools, systems and digitisation</i>	Inappropriate implementation or integration of tools and systems

Agreed Actions [High priority]

1. The Director of the Country Office will:
 - (i) Establish a Targeting Working Group with representation from relevant units/ functions to ensure structured oversight, consistent decision-making and cross-functional input into targeting and prioritisation processes.
 - (ii) Develop a plan, with defined responsibilities and timelines, to operationalise the recommendations from its national social registry pilot.
2. The Director of the Country Office will develop and implement comprehensive standard operating procedures on beneficiary management lifecycle to provide clear staff guidance, strengthen accountability, and enable the consistent application of harmonised controls.
3. The Director of the Country Office will conduct beneficiary registration through approved corporate digital systems, incorporating automated data validation controls, deduplication, data quality checks, and audit trails; and provide targeted training to staff on system use and data integrity standards.
4. The Director of the Country Office will, with support from the Global Privacy Office at Headquarters, conduct an updated privacy impact assessment and implement resulting recommendations.

Timeline for implementation

1. 31 January 2027
2. 31 December 2027
3. 30 April 2027
4. 31 December 2027



Accountability to affected populations

67. The audit reviewed the protection elements, community feedback mechanism (CFM) accessibility, data collection and usage, reporting, and case management.

68. The country office implemented a toll-free hotline as its primary CFM channel, providing beneficiaries and other stakeholders in all regions with a centralised means to submit feedback, complaints, and inquiries. The hotline served as the main entry point for case intake and recording during the period under review.

Observation 5. Community feedback mechanisms

Community engagement risk analysis and action plan

69. The country office developed a country-level community engagement action plan in October 2025. However, the underlying risk analysis was limited and not aligned with corporate requirements, as risks were not clearly defined and lacked key elements such as risk owners, likelihood, impact and mitigation measures. The action plan was also incomplete, with some activities and responsible functions insufficiently defined, and measurable targets not established for all planned actions.

Reach and accessibility

70. The CFM relied predominantly on the country office's toll-free hotline, which recorded 37 complaints in 2025, representing approximately 0.01 percent of the total 2025 beneficiary caseload. Feedback from other channels, such as complaint desks at activity sites, community committees, cooperating partner-managed mechanisms and input collected through field monitoring visits, were not systematically documented, consolidated or managed centrally.

Beneficiary feedback management

71. In 2025, the country office used a standard MoDA-based intake form to record beneficiary feedback. Despite MoDA having raw data extraction functionality, the country office did not have a consolidated CFM case-tracking mechanism to manage feedback across channels, monitor assignment, follow-up, escalation and closure, or support systematic analysis. As of May 2026, the tracking tool remained in draft and the transition of intake data from MoDA was still ongoing. The record of the cases from field-level channels also remained limited.

72. The hotline channel included feedback through WhatsApp, reflecting community communication preferences. These exchanges remained within WhatsApp on the WFP device, although WhatsApp was not an approved corporate case-management solution for handling complaints and feedback mechanism cases and related personal data. The 2022 Privacy Impact Assessment required operators to redirect WhatsApp contacts to regular phone calls as standard practice, to avoid managing cases through a non-recognised third-party messaging platform. This issue remains unresolved and was again highlighted by the 2025 APARO oversight.



Underlying causes:

<i>Process and planning</i>	Inadequate process or programme design Unclear roles and responsibilities
<i>Tools, systems and digitisation</i>	Inappropriate implementation or integration of tools and systems

Agreed Actions [Medium priority]

1. The Director of the Country Office will update the country-level Community Engagement Action Plan by incorporating a comprehensive risk analysis and revising the action plan table to ensure completeness, including clearly defined activities, targets and responsible functions for monitoring implementation.
2. The Director of the Country Office will formalise roles and accountabilities for community feedback mechanisms across units and field locations.
3. The Director of the Country Office will:
 - (i) Operationalise and document all the community feedback channels and improve their accessibility and effectiveness.
 - (ii) Establish a consolidated community feedback mechanism case-tracking process to record feedback from all channels and monitor case assignment, follow-up, escalation, and closure; and, in consultation with headquarters, define the process for managing personal data through approved corporate tools.

Timeline for implementation

1. 31 July 2027
2. 31 January 2027
3. 31 December 2027

Supply chain (Procurement and Logistics)

73. In 2025, the country office procured USD 4.3 million in non-food items and services, with USD 2.6 million (60 percent) allocated to equipment.

74. Procurement related to transport and logistics totalled USD 1.0 million. The country office operated four WFP warehouses in Vientiane, Oudomxay and Pakse, and used one warehouse owned by a cooperating partner for the school feeding programme until September 2025.

75. The audit reviewed the country office's supply chain processes, including goods and services procurement and logistics. Key areas assessed included procurement planning, vendor sourcing and selection, contracting, warehouse management and transport.



Observation 6. Supply chain

Procurement planning

76. The review of the 2025 and 2026 procurement plans showed that key information from requesting units such as timelines to guide procurement lead times and estimated costs was incomplete or inaccurate. As a result, actual procurement in 2025 differed by approximately USD 6 million from the plan. The plan was not periodically updated to reflect evolving operational needs and was not effectively used to support timely procurement, strategic sourcing, or resource optimisation. In addition, the absence of variance analysis between planned and actual procurement limited the ability to identify planning gaps and improve procurement efficiency.

Vendor management

77. The country office maintained a roster of 180 vendors which had not been periodically reviewed by the Vendor Management Committee or the Local Procurement and Contracts Committee. Efforts to expand the vendor base were ineffective. Although expressions of interest (EOI) were issued in 2024 and 2025, they were advertised for less than one week in a local newspaper without any online publication and failed to attract new vendors. This situation is further compounded by market constraints, as highlighted in the 2023 Logistics Services Market Assessment, which indicated that the country's inland transport market is narrow and fragmented.

78. The current process of using local newspaper advertisements has not been effective in generating adequate EOI, given prevailing market conditions. In addition, the limited response time for EOIs further constrains vendor participation, resulting in a narrow vendor base and reduced competition.

79. Vendor performance evaluations were conducted manually, rather than through the corporate system, resulting in delays and limiting the practical use of evaluation results. Evaluations were not systematically tracked and were not used to inform future procurement decisions and vendor roster management.

80. Communications with prospective and existing suppliers were not consistently conducted through the generic procurement email. Instead, individual WFP email accounts were used by procurement and requesting unit personnel, increasing the risk of reduced transparency and exposure to inappropriate influence.

LESS Last Mile solution

81. The country office had not implemented the corporate Logistics Execution Support System (LESS) Last Mile solution for confirming receipt of commodities at final delivery points as required by corporate standards since 2022. In 2025, waybill management remained manual, including the sharing of signed waybill images through WhatsApp. LESS Last Mile is intended to strengthen the timeliness, accuracy and accountability of goods receipt records, and is the only official corporate solution for confirmation of receipts at food distribution points.

82. According to the country office, the implementation of LESS would be challenging, due to reasons including the large number of schools and community-level recipients requiring training. In July 2026, the country office obtained a waiver from the Supply Chain Division from



implementing LESS Last Mile due to limitations related to the country context and operational modalities. The waiver also indicated the risk mitigating measures established as an alternative to the non-implementation of the module.

Underlying causes:

<i>Process and planning</i>	Insufficient planning Insufficient coordination - internal or external Rules and processes, including for decision making, not established or unclear
<i>Tools, systems and digitisation</i>	Absence or late adoption of tools and systems

Agreed Actions [Medium priority]

The Director of the Country Office will:

1. Strengthen procurement planning through improved coordination between requesting and procurement units to ensure complete and accurate inputs, periodic updates to reflect evolving operational needs and systematic analysis of planned versus actual procurement to identify gaps and improve efficiency.
2. Launch expressions of interest with sufficient advertising periods and diversified publication channels, supported by market research and outreach approaches, and ensure periodic review of the roster by local committees.
3. Timely complete vendor performance evaluations through the corporate e-supplier evaluation system, systematically track results and use them to inform procurement decisions and update the vendor roster.
4. Establish a process to ensure that communication with prospective and existing suppliers are conducted exclusively through the designated generic procurement email and that this requirement is communicated to all staff to promote consistent practices.

Timeline for implementation

1. 31 January 2027
2. 31 January 2027
3. 31 January 2027
4. 31 January 2027

Cash-based transfers

83. In 2025 under its nutrition, resilience and emergency-related activities, the country office distributed USD 1.6 million through cash-based transfers (CBT) to approximately 43,000 beneficiaries exclusively using cash-in-envelope modality, mainly via a single financial service provider. In a limited number of cases where beneficiaries could not access funds through the financial service provider, cash was delivered directly through operational cash advances.



84. For the upcoming CSP, the country office is expecting an expansion of cash-based transfers across the five programme activities.

85. The audit reviewed the CBT processes, including governance, set-up, delivery, and reconciliation.

Observation 7. Cash-based transfers

Governance

86. During the audit period, the Resilience and Emergency Activity Manager also served as the CBT focal point, and had limited time dedicated to focal point responsibilities. Although the country office established a CBT Working Group in 2022, it was not operational in 2025. No meetings were held and its terms of reference were outdated, including members who had since separated. Despite having only six CBT interventions in 2025, the absence of a functioning coordination mechanism weakened governance and oversight of CBT activities.

Beneficiary reconciliation

87. Reconciliations of CBT interventions were conducted in SCOPE,⁹ however, beneficiary-level reconciliations were not consistently performed for all transactions. At distribution points, both registered and unregistered alternates were allowed to collect cash on behalf of primary beneficiaries, but these transactions were not recorded in the system. This limited reconciliation between intended and actual beneficiaries and detection of instances where individuals not included on the payment list received cash.

88. CBT reconciliation reports summarising intervention results, including the follow-up and resolution of anomalies, were not prepared or formally endorsed by management, weakening oversight and accountability. Challenges identified in the financial service provider's reports and confirmed through an interview, were recurrent and mainly due to beneficiary data quality issues such as name mismatches, inconsistent document numbers, incomplete records and lack of registered alternates, indicating unresolved gaps.

Financial risk

89. The 2022 due diligence assessment of the financial service provider assumed that CBT levels would remain below USD 150,000 and therefore did not require a financial guarantee. However, in 2025, four of the six interventions, with estimated transfers ranging from USD 160,000 to 580,000 exceeded this threshold. At the time of the audit fieldwork, the country office did not consult Global headquarters to reassess the associated risk exposure or implement appropriate mitigating measures.

90. The country office also engaged a cooperating partner to deliver cash transfers to beneficiaries via bank transfers, assigning it the role of a financial service provider without the required WFP risk assessment applicable to non-governmental organisations acting as transfer agents. This

⁹ WFP's beneficiary information and transfer management platform.

limited assurance over the partner's capacity to manage transfer risks, financial controls, and safeguarding arrangements in line with WFP requirements.

Delivery mechanism and transfer value

91. The country office did not maintain documented justification for its choice of delivery mechanism. The most recent tender, issued in 2023, initially covered three delivery modalities (mobile money, bank accounts, and cash-in-envelope). However, due to pressing operational needs, the process was subsequently limited to the cash-in-envelope modality. As of May 2026, no new tender had been launched and the country office continued to rely on a single financial service provider. At the same time, service costs charged by the current provider doubled in 2025, leading to higher operational costs and increased risk exposure.

92. The country office used the 2024 Minimum Expenditure Basket to set emergency transfer values but did not conduct a gap analysis to assess its adequacy. Transfer values under nutrition activities were based on a 2019 assessment, which did not reflect the current inflation rate or market conditions. Additionally, market price monitoring was limited, reducing the effectiveness of data used to inform transfer values.

Underlying causes:

<i>Organisational direction, structure and authority</i>	Unclear direction for planning, delivery, or reporting
<i>Policies and procedures</i>	Absence or inadequacy of local policies/guidelines
<i>Process and planning</i>	Inadequate process or programme design

Agreed Actions [Medium priority]

1. The Director of the Country Office will strengthen the role of the CBT focal point ensuring sufficient time is allocated to this function and reactivate the CBT Working Group, including updating its Terms of Reference and establishing clear expectations for regular meetings.
2. The Director of the Country Office will conduct beneficiary-level reconciliation by ensuring all cash collections including those by alternates are accurately recorded in the system, prohibiting unregistered alternates from collecting cash and requiring formal management review and approval of reconciliation reports.
3. The Director of the Country Office will update the financial service provider's due diligence assessment to reflect current and expected transfer volumes, monitor associated risk exposure and escalate as necessary; and complete the required risk assessments for non-government organisations serving as transfer agents.
4. The Director of the Country Office will:
 - (i) Document and justify the selection of cash-based transfers delivery mechanism.
 - (ii) Launch competitive tender covering alternative modalities (mobile money and bank transfers) to diversify service providers, reduce costs and mitigate operational risks.



- (iii) Establish a review cycle for transfer values, supported by continuous price monitoring, gap analysis and revisions to the minimum expenditure basket to ensure alignment with current market conditions.

Timeline for implementation

1. 31 January 2027
2. 31 January 2027
3. 31 December 2027
4. 31 July 2027

Monitoring

93. The audit reviewed governance mechanisms, monitoring plans and coverage, evidence generation and use, and issue escalation and reporting mechanisms.

94. The Research, Assessment and Monitoring (RAM) unit leads the monitoring activities of the country office. In June 2026, RAM had four monitoring and evaluation staff at the country office and nine monitoring staff across three sub-offices. The country office used one third-party monitoring service provider during the audit period. In 2025, the monitoring coverage for the activities under review was 80 percent.

Observation 8. Programme monitoring

Monitoring planning and oversight

95. In 2025, WFP provided school meals to 702 schools under the McGovern-Dole agreement. One cooperating partner managed the implementation of the programme in 248 schools (35 percent), while WFP and the local government implemented the remaining schools.

96. The country office did not include the 248 partner-managed schools in its 2025 monitoring plan and relied mainly on the partner's monitoring and reporting activities. Limited documentation was available to support risk-based monitoring planning or triangulation of results, reducing the country office's independent visibility over implementation and results in those schools.

Data triangulation

97. The country office's Monitoring and Evaluation Strategy (2022-2026) assigned monitoring and evaluation function responsibility for triangulating and analysing data from internal and external sources. In 2025, the country office had not consistently implemented and documented these triangulation checks to validate data quality and identify inconsistencies.

98. For the school feeding programme, the programme unit collected and consolidated school-level operational and reported output data for corporate results reporting system. Field monitoring staff also conducted periodic site visits and process monitoring but were not systematically involved in triangulating the underlying output data before reporting. This reduced the country office's independent assurance over the output data reported by the programme unit.



Monitoring issue tracking

99. Despite the country office maintaining a monitoring recommendations tracker, field-level issues and recommendations identified through routine monitoring were not consistently captured and consolidated. In 2025, the tracker recorded 59 issues related to the activities under review, including 36 for Activity 1 (school feeding programme), representing four issues per field monitoring staff. In addition, beneficiary feedback gathered through field monitoring visits was not systematically consolidated with data from the CFM. Discussions with monitoring staff indicated that some issues were discussed or addressed at activity sites without being formally documented.

100. Given the scale of the programme and field monitoring activities, this limited the country office's visibility over operational issues at field level and its ability to use them for the analysis of programme design and implementation and management decision-making.

Underlying causes:

<i>Process and planning</i>	Inadequate process or programme design
<i>Tools, systems and digitisation</i>	Inappropriate implementation or integration of tools and systems

Agreed Actions [Medium priority]

1. The Director of the Country Office will:
 - (i) Implement a risk-based programme monitoring strategy across country office operations.
 - (ii) Establish and enforce independent monitoring arrangements, including, where feasible, cross-monitoring mechanisms between WFP and its partners.
2. The Director of the Country Office will:
 - (i) Establish structured and documented processes to triangulate programme implementation, monitoring, partner and other relevant data at field and country office levels.
 - (ii) Consistently record, track and analyse monitoring issues to inform programme delivery decision-making.

Timeline for implementation

1. 31 January 2027
2. 31 January 2027

Finance

101. In 2025, the country office approved approximately USD 1.5 million in operational cash advances to support the implementation of resilience activities. In 2024, the APARO Finance Officer conducted a finance oversight mission that included a review of the management of operational



cash advances. Following the mission, the country office updated its standard operating procedures for managing operational cash advances.

102. The audit reviewed controls over the approval, utilisation, clearance, and monitoring over operational cash advances.

Observation 9. Operational cash advances

Accountability over cash advances

103. According to the Financial Management Manual, operational cash advances should be assigned to international professional staff, general service staff or service contract holders at G5 level or above. Nonetheless, the country office allowed advances to personnel below the G5 level based on the country director's approval, when no eligible staff were available. In 2025, it issued advances to seven personnel below this level, of these, five lacked the required management approval. Additionally, individuals were allowed to hold multiple open advances concurrently, instead of being issued new advances only upon clearing of prior balances.

104. Designated advance holders regularly delegated cash handling and payments to other personnel instead of managing the funds directly. For instance, in one field office during 2025, designated advance holders delegated approximately USD 440,000 or 67 percent of the funds received under operational advances to other individuals. This practice reduced accountability, transparency and weakened control over the use and tracking of funds.

Clearing process

105. The clearance process of operational cash advances relied primarily on administrative and financial review either at the main or field office. In many instances, finance personnel at field offices involved in the review process were also advance holders, weakening the effectiveness of independent oversight. Programme personnel, despite their direct knowledge of activity implementation, did not participate in the clearance process to verify that expenditure aligned with planned activities.

Monitoring of advances

106. Records of open and cleared advances were manually maintained with limited analytical review and assurance performed. Key risk indicators, including aging of advances, concentration per individual, outstanding balances, transaction frequency, and spending patterns were not systematically analysed, limiting the ability to detect key risks and assess exposure. As per its standard operating procedures, the main office had to conduct quarterly reviews at field offices to verify the proper use and validity of expenditure claimed. In 2025, only four review missions were conducted, each covering a single field office. Considering that the supporting documentation related to the clearing of the advances is retained at field offices, there is an increased need for enhanced oversight.



Underlying causes:

<i>Process and planning</i>	Rules and processes, including for decision making, not established or unclear Unclear roles and responsibilities
<i>Oversight and performance</i>	Insufficient oversight from global headquarters / local management

Agreed Actions [High priority]

The Director of the Country Office will:

- (i) Update and implement the standard operating procedures on operational cash advances to incorporate additional controls such as: (a) restricting the approval and use of advances to authorised staff at the appropriate grade levels; (b) setting limits to minimise multiple concurrent advances per individual; and (c) introducing an additional step in the clearing process requiring programme personnel in the review and validation of expenditure reported.
- (ii) Establish regular analytical reviews of advance management (e.g. aging, balances, and usage patterns), ensure systematic quarterly oversight reviews of field offices by the main office and regularly report monitoring results to management for decision-making and risk mitigation.

Timeline for implementation

30 April 2027



Annex A – Agreed actions plan

The following table shows the categorisation, ownership, and due dates 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 actions plan is primarily at the CO level.

#	Observation	Process area	Owner	Priority	Due date for implementation
1	Governance, risk management and oversight	Governance and risk management	Country Office	Medium	31 January 2027
2	Cooperating partner management	Cooperating partner management	Country Office	High	1) 30 April 2027 2) 30 April 2027
3	Programme planning	Programme planning and budgeting	Country Office	Medium	31 January 2027
4	Targeting and beneficiary identity management	Targeting and beneficiary identity management	Country Office	High	1) 31 January 2027 2) 31 December 2027 3) 30 April 2027 4) 31 December 2027
5	Community feedback mechanisms	Accountability to affected populations	Country Office	Medium	1) 31 July 2027 2) 31 January 2027 3) 31 December 2027
6	Supply chain	Supply chain (Procurement and logistics)	Country Office	Medium	1) 31 January 2027 2) 31 January 2027 3) 31 January 2027 4) 31 January 2027
7	Cash-based transfers	Cash-based transfers	Country Office	Medium	1) 31 January 2027 2) 31 January 2027 3) 31 December 2027 4) 31 July 2027



#	Observation	Process area	Owner	Priority	Due date for implementation
8	Programme monitoring	Monitoring	Country Office	Medium	1) 31 January 2027 2) 31 January 2027
9	Operational cash advances	Finance	Country Office	High	30 April 2027



Annex B – List of tables and figures

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Figure 1 – Process areas in the audit scope 6



Annex C – Acronyms used in the report

APARO	Asia and the Pacific Regional Office
CBT	Cash-based transfers
CFM	Community feedback mechanisms
CSP	Country strategic plan
EOI	Expression of interest
LESS	Logistics Execution Support System
OIGA	Office of Internal Audit, Office of the Inspector General
PO	Purchase order
RAM	Research, Assessment and Monitoring
USD	United States dollar
WFP	World Food Programme

Annex D – Agreed actions terminology

List of root causes

Category	Root cause
Organisational direction, structure and authority	Unclear direction for planning, delivery, or reporting
	Insufficient authority and/or accountability
	Strategic and operational plans not developed, approved, or not SMART
Policies and procedures	Absence or inadequate corporate policies/guidelines
	Absence or inadequacy of local policies/guidelines
Process and planning	Inadequate process or programme design
	Rules and processes, including for decision making, not established or unclear
	Unclear roles and responsibilities
	Insufficient planning
	Inadequate risk management
	Insufficient coordination - internal or external
Oversight and performance	Insufficient oversight from global headquarters / local management
	Insufficient oversight over third parties
	Oversight plans not risk-informed
	Performance measures and outcomes inadequately measured/established
Resources – People	Insufficient staffing levels
	Insufficient skills and/or competencies
	Absence of/insufficient staff training
	Inadequate succession and workforce planning
	Inadequate hiring, retention, and/or compensation practices
	Inadequate supervision and/or performance appraisal processes
Resources – Funds	Inadequate funds mobilisation
	Insufficient financial / cost management
Resources – Third parties	Insufficient third-party capacity (NGO, government, financial service providers, vendor, etc.)
	Insufficient due diligence of third parties
	Insufficient training/capacity building of cooperating partners' staff
Tools, systems and digitisation	Absence or late adoption of tools and systems
	Inappropriate implementation or integration of tools and systems
Culture, conduct and ethics	Deficient workplace environment
	Insufficient enforcement of leadership and/or ethical behaviours
External factors - beyond the control of WFP	Conflict, security & access
	Political – governmental situation
	Funding context and shortfalls
	Donor requirements
	UN or sector-wide reform
Unintentional human error	
Management override of controls	



Priority of agreed actions

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

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

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

Typically, audit observations can be viewed on two levels: (1) observations that are specific to an office, unit, or division; and (2) observations that may relate to a broader policy, process, or corporate decision and may have a broad impact.¹⁰

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 that 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.

¹⁰ 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.

Annex E – Audit rating system

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

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.