Internal Audit of Performance Management and Appraisal in WFP

Office of the Inspector General
Internal Audit Report AR/19/22

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Contents

Internal Audit of Performance Management and Appraisal in WFP

I. Executive Summary

1.   As part of its annual work plan, the Office of Internal Audit conducted an audit of performance management and appraisal in WFP that focused on the period 1 January 2016 to 30 April 2019. The audit team conducted the fieldwork from 24 June to 26 July 2019 at WFP headquarters. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

2.   "Performance management and appraisal in WFP serves to encourage, increase and improve ongoing dialogue between supervisors and staff, and links the individual outputs and key performance indicators with those of the unit, division or country office. It outlines the competencies and expectations for individual performance, helps identify areas of development and learning and provides a mechanism for the identification and resolution of performance issues and obstacles".

3.   WFP's Strategic Plan (2017-2021) commits to transparently linking resources to results. The operationalization of corporate objectives and accountability towards results is enabled at individual level via the performance management and appraisal cycle. This requires staff, in close coordination with their supervisors, to (i) plan and prioritize work by defining expected outputs, in alignment with work plans, and competencies; (ii) review progress towards expected outputs and competencies; and (iii) assess their accomplishments.

4.   WFP's Performance and Competency Enhancement Programme (PACE) supports the execution of the performance management and appraisal cycle for all employees, except for service contracts and special service agreements holders, for whom the process is paper based. As of December 2018, WFP had 16,858 employees, of which 22 percent were international and 78 percent local. 5,513 staff were appraised through the PACE process in 2018. Short term employees managed through PACE represented approximately 27 percent of the total.

Audit conclusions and key results

5.   Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory / 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. The audit report contains three high priority and four medium priority observations.

6.   Four main lines of enquiry were established for the audit:

> (i) Is the WFP performance management and appraisal framework complete and do the related processes strengthen accountability, articulate objectives and measure performance?;

> (ii) Are performance management and appraisal processes effectively operating and do they allow for quality feedback?;

> (iii) Are WFP's PACE appraisals in compliance with performance management and appraisal guidelines and timelines?;

> (iv) Are the performance management and appraisal information and reporting used as input for related HR processes and to inform decision making?

7.   The Human Resource Division has taken various initiatives in the recent years to support the implementation of PACE and to strengthen the related process. Among these, an awareness raising campaign carried out at major

milestones, the revamping of the underperformance management framework and simplification of the requirements to separate staff for underperformance reasons, the roll-out of trainings on feedback, and corporate monitoring of process completion have increased the percentage of PACE appraisal finalizations. As of September 2019, the completion rate of the 2018 PACE exercise, first level review, increased from 77 percent in 2009 to 96 percent for staff. Generally, staff were positive about the corporate support extended to them when dealing with conflictual assessments.

8.   The Human Resources Division had identified gaps in the PACE system and process and was working on addressing them. These included the use of PACE for service contract holders and system enhancements for guided definition of measurement criteria, more flexible timing for feedback and expanded feedback providers.

9.   While these ongoing improvements demonstrated the ongoing efforts of the Human Resources Division, the audit identified weaknesses and inconsistencies around two main objectives of performance management and appraisal processes: providing adequate performance feedback to staff; and using appraisal data and information for decision making. WFP needed to further strengthen processes that provide reliable, timely and useful information, improve coherence and increase synergies in the use of human resources' tools and processes, and hold supervisors accountable for performance management and appraisals. Significant efforts were yet to be made corporately to change the mindsets of staff and supervisors with a view to further strengthening a culture of honest and constructive performance dialogues at all levels of the organization.

10.   More specifically, the audit noted challenges to effective performance assessments, impacting the use and usefulness of information for decision making such as promotion and reassignment. These included a tendency towards positive, i.e. successful and outstanding ratings; inconsistencies and weak quality in the feedback, also due to supervisors avoiding critical feedback. These issues were rooted in the need to further reinforcing supervisors' accountability for performance management and assessment, perceived complexities of the process, the duration of decision-making processes to follow through performance issues, and fear of complaints for abuse of authority or retaliation via the PACE. Improvements in the use of PACE appraisals within mobility and career progression were reported, however formal appraisals were not always available and informal feedback was oftentimes considered more reliable for decision making.

11.   Core and functional capabilities were defined for most of the functions, however there was a need for more clarity about the skills and competencies required to perform and progress at the different grades and positions in the organization. This was coupled with the need to strengthen links between performance assessment and leadership selection processes and a stronger focus on people management skills.

12.   Other issues were noted in the areas of articulation of performance assessment criteria and links with office and corporate results; the allocation of supervisory roles concentrated in a way that could weaken quality reviews (span of control); the need for more effectively tying the PACE appraisal process to learning and development to better address individual and corporate requirements and performance weaknesses identified; and timeliness of process completion.

13.   An evaluation of the WFP People Strategy was being finalized at the time of the audit. While larger in scope and different in the methodology, the draft summary evaluation report highlighted similar issues that were identified by the audit and recommended, among others, developing an accountability framework to achieve excellence in people management and to foster an organizational culture of giving and receiving constructive feedback by addressing current weaknesses of performance management.

Actions agreed

14.   Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

Kiko Harvey
Inspector General

II. Context and Scope

Performance Management and Appraisal in WFP

15.   Performance management and appraisal ("reinforce a performance mindset") is one of the four pillars in the People Strategy 2014-2017. WFP aims to focus on practices and processes that recognize and reward successful performance results and reinforce line managers' accountability through two initiatives: (1) embed common WFP values and behaviours; and (2) refresh performance management processes.

16.   Since 2004, WFP has been using the PACE tool, an electronic platform for annual performance management reviews of staff. PACE is supposed to encourage, increase and improve dialogue between WFP supervisors and staff, especially regarding expectations for individual performance and capabilities. PACE aims to link WFP's strategic objectives, the Corporate Results Framework (CRF), and the Annual Performance Plan (APP) to individual and unit performance targets. The tool is utilised for the appraisal of all employees except service contracts and special service agreements holders, for whom the process is manual, and paper based. Employees whose performance is appraised outside of the PACE system represented approximately 45 percent of the total workforce at the time of the fieldwork[1]. Service contract holders were planned to be included in PACE starting 2020.

17.   Being a cross functional process, responsibilities for performance management and appraisal lie at different levels of the organization, under the overall supervision and coordination of the WFP Human Resource Division (HRM). In particular, the Individual Strengthening and Performance Management branch (HRMTS) is in charge of facilitating culture and behaviour changes within WFP to ensure an engaged workforce. Within this remit, the branch's responsibilities are among others to (i) lead and manage the performance management strategies and system; (ii) drive the process of goal setting and alignment, staff development planning, effective competency assessment and evaluation of individual and team achievements; (iii) ensure that WFP utilizes effective mechanisms to recognize outstanding performance, address performance gaps effectively, assess, and develop internal capacity; (iv) lead the career advance mechanism/methodology for the junior and mid international professional categories[2]. The branch is also tasked to monitor and promote staff engagement and coordinate WFP's Global Staff Survey (GSS).

18.   WFP's framework for performance management and appraisal is rooted in the Food and Agriculture Organization (FAO) staff rules and regulations[3] that provide the general principles for performance evaluation of employees, including probation and performance-based separation. These principles are reflected in WFP's Human Resources Manual and, at process level, through a series of quick-guides, toolkits and videos published on WFP's intranet. There is no financial incentive linked to performance appraisal.

19.   These guidelines provide the framework for completing the PACE appraisal in the three phases of the year-round cycle (planning, mid-term and final phase); establishing high-level responsibilities for the supervisory roles (i.e. first level, second level and functional reviewer) and the staff members; and addressing underperformance. Reference materials on functional capabilities and career frameworks lay out WFP's four core organizational capabilities (partnership, performance, people, and purpose), applicable to all staff, and the functional capabilities for some WFP core functional areas.

20.   HRM was in the process of preparing a new Human Resource Strategy to be informed by the results of the evaluation of the People Strategy 2014-2017 that the Office of Evaluation (OEV) was carrying out at the time of the audit. The final evaluation report was scheduled for discussion in the Executive Board (EB) in February 2020.

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[1] WINGS II active staff report as of 4 June 2019.
[2] The reassignment process, both for mid-year senior and professional exercises and ad hoc meetings during the year are managed by the Talent Deployment and Career Management branch.
[3] FAO staff rules 303.2.6 on service evaluation reports; 302.4 General provisions applicable to all staff members on continuing, indefinite and fixed term appointments; and Staff regulation 301.9.

21.   Over the recent years, HRM has taken several initiatives to assess and reinforce the performance management and appraisal process. Following the 2017 report of the External Auditor on Changes in Human Resources[4] that highlighted concerns regarding the quality of PACE assessments, an ad hoc committee reviewed samples of PACE appraisals for qualitative monitoring and to better target areas for improvement. A cross organizational survey was carried out to gather feedback on the PACE process as well as to test new ideas. The survey report was released in April 2018 and together with the review results and the 2018 GSS survey informed the ongoing HRM exercise of revamping the PACE system and processes. The new PACE is scheduled to be launched in 2020.

Objective and scope of the audit

22.   The objective of this audit was to provide assurance on the effectiveness of internal controls, governance and risk management processes related to performance management and appraisal in WFP. As such, the audit is part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk-management and internal control processes.

23.   The audit was carried out in conformance with the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.* It was completed according to an approved engagement plan and took into consideration the risk assessment exercise carried out prior to the audit.

24.   The scope of the audit covered performance management and appraisal in WFP from 1 January 2016 to 30 April 2019. Where necessary, information and events pertaining to other periods were reviewed.

25.   The audit team conducted the fieldwork from 24 June to 26 July 2019 at WFP headquarters in Rome.

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[4] WFP/EB.A/2017/6 - H/1

III. Results of the Audit

Audit work and conclusions

26.   The audit work was tailored to the process objectives defined by HRM, taking into account the corporate risk register, findings of WFP's second line of defence functions, as well as the independent audit risk assessment.

27.   Based on the results of the audit, the Office of Internal Audit (OIGA) has come to an overall conclusion of **partially satisfactory / 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.

Gender Maturity

28.   OIGA, in supporting WFP's management's efforts in the areas of gender, separately reports its assessments or gaps identified in this area.

29.   The statistical analysis of the completion status and performance rating distribution by sex, based on data provided by HRMTS, as well as data directly extracted by OIGA from the PACE system, did not indicate any imbalance linked to gender. Gender representation among national staff was one of the eleven key performance indicators (KPIs) corporately tracked in 2018, as part of the Country Directors (CDs) accountability framework. Issues related to measurement and consistency between the results of corporately tracked management KPIs and the performance assessment of Directors are reported in observation one.

Observations and actions agreed

30.   Table 1 outlines the extent to which audit work resulted in observations and agreed actions. These are classified according to the lines of enquiry established for the audit and are rated as medium or high priority; observations that resulted in low priority actions are not included in this report.

Table 1: Overview of lines of enquiry, observations and priority of agreed actions	Priority of issues/agreed actions
i. Is the WFP performance management and appraisal framework complete and do the related processes strengthen accountability, articulate objectives and measure performance?	
1. Articulation of outputs and Key Performance Indicators and measurement of achievements	*Medium*
2. Definition and assessment of capabilities and professional progression	*High*
3. Supervisory roles and responsibilities	*Medium*
ii. Are performance management and appraisal processes effectively operating and do they allow for quality feedback	
4. Quality of feedback	*High*
iii. Are PACE's appraisals in compliance with performance management and appraisal guidelines and timelines?	
5. Timeliness and completeness of PACE appraisals	*Medium*
iv. Are the performance management and appraisal information and reporting used as input for related Human Resources processes and to inform decision making?	
6. Learning and development actions	*Medium*
7. Use of performance appraisal results in staffing decisions	*High*

31.   The seven observations of this audit are presented in detail below.

32.   Management has agreed to take measures to address the reported observations[5]. An overview of the actions to be tracked by internal audit for implementation, their due dates and their categorization by WFP's risk and control frameworks can be found in Annex A.

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[5] Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

1. Is the WFP performance management and appraisal framework complete and do the related processes strengthen accountability, articulate objectives and measure performance?

33.   The audit reviewed corporate guidance on performance management and appraisal and performed tests on a sample of PACE appraisals to assess (i) how expectations and objectives for individual performance allow for cascading of objectives and measurement of achievements; and (ii) relevance of defined capabilities to job profiles and how these allow for succession planning, and personal and career development in line with WFP's career and capability framework, including linkages and consistencies among the different tools for performance and skills assessment.

34.   In addition, the audit assessed whether the roles and responsibilities in the process, including supervisors' and functional reviewers, were clearly established and properly exercised to ensure accountability and oversight.

Observation 1: Articulation of outputs and Key Performance Indicators and measurement of achievements

35.   In PACE, employees' outputs and KPIs for assessing individual performance are defined and linked to unit workplans and/or APPs, to articulate corporate objectives at the individual level. A review of a sample of PACEs highlighted weaknesses and inconsistencies in the formulation and definition of outputs and KPIs. For the sampled senior management PACEs, specifically CDs, outputs consisted of high-level statements and did not include elements that were relevant and specific to their role. At more operational grades, PACEs showed weaknesses in the way KPIs and outputs were formulated, not being specific, measurable and time bound.

36.   Performance management KPIs as defined in the CRF were inconsistently used for defining PACE KPIs at the CD level. Even though the management KPIs were defined, they were not measured for Regional Directors (RDs) and Division Directors. In the case of CDs, where used, they were not systematically measured, validated and reported within the PACE period timelines. In addition, inconsistencies were noted among CRF KPI value and output assessments.

37.   RDs indicated that management KPIs did not provide a comprehensive picture of CD's responsibilities and performance. They preferred fewer mandatory ones, covering also WFP's positioning and partnering in the country, and KPIs which could be measured on a more timely or continuous basis. Following the approval of the new CRF, including revised management KPIs, the Performance Management and Reporting Division (RMP) was finalizing a process for calculating and visualizing those KPIs at CO, RB and headquarters (HQ) levels. The revised CRF 2017-2021 had additional and more user-friendly performance indicators, applicable also to RBxand HQ.

<u>Underlying cause(s):</u> Staff facing challenges in understanding output and KPI terminology and how to formulate them in a SMART[6] manner; accountability framework not yet expanded to Divisional and Regional Bureaux Directors; non-alignment of PACE timelines with those for reporting on management KPIs and workplan/APP timelines; turnover, particularly due to re-assignment, impacting the use of management KPIs for performance assessment.

Agreed Actions [Medium priority]

HRM, in collaboration with other units as relevant, will:

(i)   Finalize the decision about the methodology for assessing staff performance, by confirming the use of outputs and KPIs, or introducing alternative criteria for measuring performance (for example goals and deliverables);

(ii)   Based on the results of the previous point:

✓   Finalise the creation of libraries of outputs (or other criteria as relevant);

✓   Provide further guidance on defining SMART KPIs (or other criteria) that can be better measured; and

(iii)   Provide further guidance on the use of the Directors KPIs from the CRF for performance appraisal.

Timeline for implementation

31 August 2020

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[6] SMART: specific, measurable, achievable, relevant, and time-bound.

Observation 2: Definition and assessment of capabilities and professional progression

Functional capabilities

38. Two sets of capabilities were assessed in PACE: core capabilities, applicable to all staff across WFP; and functional capabilities, defined to assess the technical capabilities or skills required in the specific functions. Most functions in WFP have defined functional capabilities, reaching 82 percent of staff as communicated by HRMTS. However, the reviewed sample of PACE appraisals did not always include functional capabilities.

Assessment of performance and skills for leadership positions

39. The audit reviewed potential linkages and consistencies of the leadership track for the P4 level and above, which was carried out by the Career Development Centre (CDC), with the PACE process. A positive PACE appraisal was a formal requirement to access the leadership track exercise via the CDC, which encompassed a broad assessment of skills and capabilities. In the 2018 CDC exercise, 33 percent of the candidates were assessed as 'ready', i.e. they had the required potential for promotion as per the design of the CDC; 22 percent were assessed as 'not ready' and as such they were not to be put forward for promotion; the remaining 45 percent required coaching before being qualified as 'ready'.

40. In the 2018 CDC exercise 60 percent of the total 60 staff assessed were already operating at a higher position than their personal grade (duration of assignment (DA) positions). Some of them had been since several years in their DA positions with satisfactory or outstanding PACE ratings. 11 percent of those in DA positions received a CDC assessment as 'not ready' for promotion. 47 percent required a coaching period of 12 to 24 months. However, the same staff were later confirmed or re-assigned at the same level.

41. Supervisors did not receive the CDC assessment results of their staff, unless voluntarily disclosed by the staff themselves. This limited the visibility of development needs and did not allow a comprehensive identification of needs for strengthening individual capacities, whereas the decision that these weaknesses were addressed in the CDC coaching period was based on the performance assessment results.

42. While the scope of the PACE process and the CDC assessment were different, there was room to better coordinate the results of the two exercises, in order to better support assessing managerial and leadership skills, including for staff already acting at managerial levels.

43. No CDC exercise had taken place since 2018 and, according to HRM, there was no decision whether to continue with the CDC assessments at the time of finalizing the audit. OIGA therefore refrained from giving specific recommendations related to the CDC exercise. However, audit encourages HRM to take the above gaps in the articulation and coordination of both tools into consideration in case the exercise should be relaunched or replaced by alternative exercises.

44. Interviews and a survey carried out by the audit confirmed the need to increase awareness and clarity of required capabilities at different levels of the hierarchy, including in leadership positions, to support and improve how staff perceive transparency and fairness of career progression and performance assessment, and anchor these in the organization's workforce planning efforts.

Underlying cause(s): Need for further clarity on the use and articulation of functional capabilities; PACE not always sufficiently used as a tool for informing and driving skills development needs, career progression and succession planning and limited link with other mechanisms for career management and mobility.

Agreed Actions [High priority]

HRM will:

(i) Finalize the library of functional capabilities in the system to guide and facilitate customized selection of capabilities;

(ii) Strengthen the link between PACE and career progression discussions; and

(iii) Identify opportunities to strengthen capabilities and skills required to operate at leadership positions.

Timeline for implementation

31 December 2020

Observation 3: Supervisory roles and responsibilities

45. Two to three levels of supervisors are required to complete a PACE appraisal, depending on the position. This aims at reducing the risk of subjective/one-sided appraisals, including potential abuses of authority and/or favouritism. The first level supervisor (L1) carries out the overall performance rating and the second level supervisor (L2) is expected to review and, if agreed, endorse the appraisal.

46. The audit identified issues in the design and execution of the supervisory responsibilities that may impact the effectiveness and quality of the appraisals:

- Senior management levels had a high number of staff to supervise, in some cases up to 20 staff as L1 and over 50 staff when adding L2 supervisory responsibilities. Senior management interviewed indicated concerns about the feasibility of covering such high numbers of reviews due to the time required to effectively carry out their supervisory responsibilities. A reasonable span of control of supervisors was corporately not defined. While HRM provided guidance in the context of organizational alignment exercises, it remained up to the responsible managers to decide upon the structures that met their requirements.

- Analysis of PACE data for 2018, indicated that, at the time of the audit fieldwork almost 62 percent of staff were pending L2 level reviews. L2 and functional reviewer fields are optional in the system. In addition, employees manually select their supervisors from a system drop down menu of all WFP employees.

- A survey carried out as part of the audit, as well as stakeholders interviews, highlighted increasing support from HRM through training and for managing issues related to underperformance. However, leadership training was not systematic and mandatory for supervisors upon appointment. It was also indicated that training for assuming staffing coordinator roles was needed.

- HR guidelines on the roles and responsibilities of L1, L2 and functional reviewers were not sufficiently clear about what each level of supervision was expected to do.

Underlying cause(s):   Decisions on organizational structures and reporting lines decentralized and with frequent changes; investment proposal to integrate WFP enterprise resource planning and the performance management systems, including automated allocation of supervisory roles, pending finalization.

Agreed Actions [Medium priority]

HRM will:

(i)   Provide guidance based on best practice on reasonable spans of control to be considered by management when deciding on organizational structures and thereof resulting supervisory responsibilities; and

(ii)   Assess opportunities for automatically triggering training/e-learning of supervisors and staffing coordinators upon appointment.

Timeline for implementation

31 December 2020

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2. Are performance management and appraisal processes effectively operating and do they allow for quality feedback?

47.   The audit performed tests and reviews of a sample of performance appraisals through the PACE system across different levels and grades of the organization to assess the quality and timeliness of feedback provided, including mechanisms for ensuring accountability for the assessments carried out. Other aspects of the review included availability of training and support, and the management of underperformance.

48.   Following the results of an external audit conducted in 2017, HRM carried out a review of 2017 and 2018 PACE appraisals on a sample basis to detect issues and to identify areas for improvements. HRMTS monitored unsatisfactory ratings to inform and support supervisors in managing the Performance Improvement Plan (PIP) process. Various stakeholders were positive about the support provided by HRMTS.

Observation 4: Quality of feedback

49.   The performance rating distribution for the period 2016-2018 shows a low percentage of staff receiving partially satisfactory or unsatisfactory ratings. At the time of the fieldwork, 1.7 percent of the total number of 2018 appraisals were partially satisfactory ratings and five were unsatisfactory ratings, one of which was a staff at a professional grade. The number of professional staff rated partially satisfactory was limited, particularly at higher grades. Stakeholders indicated that a major deterrent for formally capturing underperformance was the widespread belief that such ratings would trigger complaints, the burden of which would remain with the supervisors while receiving limited support. In general, stakeholders interviewed confirmed a tendency not to provide honest feedback for underperforming staff through the PACE process.

50.   The review of a sample of PACE appraisals highlighted inconsistencies and/or indications of weak quality of feedback provided through PACE, including final ratings that were not sufficiently substantiated (also in cases of under- and outstanding performances), timelines not respected, self-assessment fields not filled, and development needs and actions not well captured.

51.   There was no systematic review of the feedback in PACE to capture trends, exceptions or errors, such as rating selections, duplications. Monitoring at HQ level focused on timelines and rating distributions. HRM was planning to repeat a sample-based review of the quality of PACE appraisals in 2018.

52.   The mechanisms available to non-staff employees to raise disagreement, i.e. complain about PACE appraisals, was via the L2 supervisor. For 2018, unsatisfactory and partially satisfactory performances for consultants amounted to 1.5 percent of the total number of consultants (85 percent of appraisals were finalized).

53.   In 2016, HRM had introduced trainings on providing performance feedback, including for conflictual situations. Recent changes in HR rules required only one unsatisfactory PACE appraisal and a PIP (assessed by the L1 and L2 supervisor) before a separation could be initiated. This had reduced the duration of the underperformance management process to one year and a half. For international staff the PIP was to be carried out in situ. Managers reported that this could lead to protracted conflictual situations. The re-assignment process, with international staff rotating every two to four years, entailed that the results of the underperformance management process were only visible after the person concerned had left the post and, as such, were a disincentive for addressing underperformance.

54.   A review of the 2018 PIPs indicated delays in starting the PIP process and insufficiently detailed content (lacking clear KPIs/timelines, etc.) as per applicable HR guidance. Of the 26 unsatisfactory staff PACE appraisals since 2016, 14 were separated. According to HRM, although not being formally indicated in the cause of the separations, all were triggered by appraisal results and the PIP process. According to HRM, 14 percent of staff had at least one capability rated as partially satisfactory or not proficient in the 2018 PACE exercise, being considered as an indication of a significant and growing percentage of managers raising performance issues.

Underlying cause(s): Performance management process perceived by some supervisors as lengthy and complex, making timely action difficult; culture of providing negative feedback through the formal performance appraisal process needing further strengthening; accountability of supervisors for providing quality feedback requiring further reinforcement.

Agreed Actions [High priority]

HRM will:

(i) Further clarify and provide training to supervisors on:

    a. criteria for performance ratings;

    b. how to formalize written and properly supported assessments;

    c. underperformance process, including examples, common issues, available support and statistics;

    d. PIP management, including examples for effective preparation and execution;

(ii) Introduce mechanisms to monitor exceptions (e.g. delays, not endorsed, and sequences of appraisals) and to reflect quality of feedback in supervisors' PACEs for reinforcing accountability;

(iii) Finalize system upgrade to allow for (i) requesting and providing rapid feedback at interim dates and identify built-in mechanisms to flag conflictual assessments/positions to drive priority of second level reviews; and

(iv) Re-assess the effectiveness of mechanisms in place for conflict resolution for short term contract holders (for example triggering second level reviews when necessary).

Timeline for implementation

31 December 2020

3. Are PACE's appraisals in compliance with performance management and appraisal guidelines and timelines?

55.   The audit analysed data to identify trends in PACE planning, interim and year-end cycle phases and to assess if the alignment with strategic planning and reporting schedules allowed for effective discussions, including for professional development and improvement. The analysis covered various grades, contract types and gender categories.

56.   HRM launched campaigns on feedback, quality of the assessment and good performance management practices, and managing underperformance. It analysed the completion and rating distributions for various regions before the closure of PACE periods. Statistics were provided to management teams whenever completion rates were low or ratings were skewed towards outstanding.

Observation 5: Timeliness and completeness of PACE appraisals

57.   The PACE appraisal process consists of three phases: planning, mid-term and year-end reviews. At each stage, a PACE appraisal is initiated by the staff, commented by the L1 supervisor, and at year end endorsed by the L2 supervisor.

58.   While completion rates have improved in the recent years to 96 percent in 2018, there were deviations from corporate deadlines in completing the phases[7]. In some instances the time lag between phases was very short, with extreme cases having all three appraisal phases completed at the same time, which was indicative of PACE not being carried out through regular discussions and feedback throughout the year, and completed as a "tick the box" exercise. Significant delays were noted in other sampled cases regarding finalization of PACE appraisals phases.

59.   Of the total six percent of staff PACE appraisals that were not finalized (rated), a larger percentage was at higher grades: for Directors at level 2, more than half were not rated in 2017 and 2018. Four out of six RDs were initially rated via a bi-annual compact. Their PACE was subsequently completed for three (out of seven in the period) in 2018. One RD did not have any performance assessment in recent years. Regarding Directors at level 1, the ratio of PACE not completed was of 30 percent in 2018 and 19 percent in 2017. Generally, non-rated appraisals also included cases with poor performance ratings from previous years.

60.   In 2018, the number of PACE appraisals that had not been initiated by staff increased compared to prior years, reaching two percent, the majority being at senior management level. Stakeholders also indicated instances of non-performing staff that did not initiate their PACE, with the aim to avoiding negative feedback, undermining efforts to address underperformance and weakening accountability. Where needed, HRMTS had the authority to activate the PACE process upon request of the supervisor.

Underlying cause(s): PACE oftentimes perceived as a compliance process and not a priority for senior positions; lack of accountability for not completing PACE for both supervisees and supervisors; dynamic nature of the organizational structure and mobility of employees.

Agreed Actions [Medium priority]

HRM will:

(i)   Extend use of PACE to staff categories whose performance is currently manual; and

(ii)   Further strengthen accountability for completion of all PACE phases at all levels within defined timelines, for example by introducing it as a standard KPI for supervisors.

Timeline for implementation

31 July 2020

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[7] As per the active staff report extracted from WINGS II on 4 June 2019.

4. Are the performance management and appraisal information and reporting used as input for related HR processes and to inform decision making?

61.   The audit performed tests and reviews of the mechanisms and processes in place to consolidate information and identify trends for decision making, as well as of the use of PACE appraisal results in the context of HR related decisions and/or to inform career progression exercises.

62.   PACE provided supervisors visibility of the completion status and ratings of their supervisees. An automatic interface between PACE and WFP corporate learning and development (L&D) platform We-learn existed to allow transferring real time information about We-learn completed trainings into PACE.

Observation 6: Learning and development actions

63.   The review of the L&D sections of a sample of PACE appraisals highlighted weaknesses in these sections, including cases where they were not complete, not sufficiently detailed, or not clearly linked to areas for improvement that had been highlighted by supervisors in previous assessments. Completing the L&D section was not mandatory and there was no systematic review by supervisors or direct connection to the overall performance assessment. In some cases where feedback from supervisors was provided, this related to the completion of mandatory trainings or attendance to specific trainings, with no indication of their impact. Further opportunities existed to make the PACE process more impactful by linking performance feedback and professional development.

64.   The information in the PACE L&D sections was not systematically utilized to identify, consolidate and report on trends at the organizational, or even functional levels. Since 2016, only four COs had requested extraction of L&D information as input for their L&D plans. The L&D section had limited value for establishing structured training plans, career progression or learning needs. The information captured there was also not useful for supporting COs in identifying skills development needs, e.g. to implement their Country Strategic Plan.

65.   HRM indicated they were considering creating the possibility for the system to 1) automatically trigger training suggestions based on job profiles/roles; and 2) for supervisors to assign courses to the staff members.

Underlying cause(s):   Need for further clarifying the purpose and use of the L&D section; weaknesses with regards to the accountability towards the learning priorities between the staff and supervisor; competencies assessments and PACE L&D section not intended for informing HR initiatives rather for individual accountability.

Agreed Actions [Medium priority]

HRM will:

   (i)   Provide guidance on the use of the L&D section, how it links to the capacity assessment section of PACE appraisals and to support performance improvement;

   (ii)   Explore possibilities to guide COs on using capabilities needs identified through organizational alignment exercises to inform PACE L&D discussions;

   (iii)   Re-assess system functionalities to drive comprehensive supervisors' feedback, including on impact of learning activities of supervisees; and

   (iv)   Review opportunities to use information from PACE to inform HR capacity needs discussions.

Timeline for implementation

31 December 2020

Observation 7: Use of performance appraisal results in staffing decisions

66.   The audit noted opportunities to reinforce the contribution of performance appraisals to other HR processes, including recruitment, mobility and career progression. Staffing decisions often had to revert to other sources of information to compensate for missing appraisals or quality weaknesses of formal PACE appraisals.

Reassignment

67.   The reassignment process is, among other considerations, informed by PACE appraisals. A review of the latest re-assignment decisions highlighted multiple cases of staff being re-assigned without having completed PACE appraisals for the relevant period, multiple years and/or extended periods, with the extreme case of a CD of an L3 emergency appraised only once since 2009.

68.   Staff not assigned in a given reassignment exercise can apply to other positions in the subsequent re-assignment exercises. In the interim they are placed on Special Leave with Pay on the so-called "radar list". The majority of staff on the radar list at the time of the audit had received successful/outstanding ratings in their PACE, including the ones on the radar list for multiple years. Non re-assignment can result from a misalignment of existing skills/profiles and demand within the organization. However some of the staff on the radar list were informally known for having performance issues while this was not always reflected in their PACE appraisals.

Career progression

69.   Positive PACE appraisals from the previous 2 to 3 years are required for the promotion of international staff. Various other aspects are taken into account when selecting eligible candidates for the promotion exercise. The audit could not confirm that in practice PACE and promotions were linked as required by the policy. Cases were noted where staff was assessed as eligible for promotion without valid PACE appraisals. HRM indicated that appraisals that had been initiated but not completed by the supervisor were not an impediment and should not penalize the staff member.

Recruitment

70.   PACE appraisals were used for internal and external vacancies as reference check only at the recruitment completion phase. Additional references were checked if PACE results were below successful. For consultants at field level, appraisal information was not centrally tracked and may not always be available/requested.

Underlying cause(s): Not holding supervisors accountable for not capturing underperformance of staff in PACE; perceived tendency to give positive/outstanding ratings also in cases where not fully merited; re-assignment perceived as an incentive to ignore poor performers, waiting for staff's or supervisors' relocation.

Agreed Actions [High priority]

HRM will:

   (i)   Strengthen guidance and communication on supervisors' accountability for capturing underperformance via PACE; and

   (ii)   Evaluate possibilities to make PACE appraisals available to recruiting managers at early stages of recruitment exercises.

Timeline for implementation

31 October 2020

Annex A – Summary of observations

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

	High priority observations	**Categories for aggregation and analysis:**				
		WFP's Internal Audit Universe	**WFP's Governance, Risk & Control logic:**		**Implementation lead**	**Due date(s)**
			Risks (ERM)	**Processes (GRC)**		
2	**Definition and assessment of capabilities and professional progression**	Human resources management	Business process risks	Human resources	HRM	31 December 2020
4	**Quality of feedback**	Human resources management	Business process risks	Performance management	HRM	31 December 2020
7	**Use of performance appraisal results in staffing decisions**	Human resources management	Business process risks	Human resources	HRM	31 October 2020

	Medium priority observations	**Categories for aggregation and analysis:**				
		WFP's Internal Audit Universe	**WFP's Governance, Risk & Control logic:**		**Implementation lead**	**Due date(s)**
			Risks (ERM)	**Processes (GRC)**		
1	**Articulation of outputs and KPIs and measurement of achievements**	Human resources management	Governance & oversight risks	Human resources	HRM	31 August 2020
3	**Supervisory roles and responsibilities**	Human resources management	Governance & oversight risks	Performance management	HRM	31 December 2020
5	**Timeliness and completeness of PACE appraisals**	Human resources management	Business process risks	Performance management	HRM	31 July 2020
6	**Learning and development actions**	Human resources management	Business process risks	Human resources	HRM	31 December 2020

Annex B – Definitions of audit terms: ratings & priority

1   Rating system

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

Table B.1: Rating system

Rating	Definition
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.
Partially satisfactory / 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.
Partially satisfactory / major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
	Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area.
	Prompt management action is required to ensure that identified risks are adequately mitigated.
Ineffective / unsatisfactory	The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
	Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.
	Urgent management action is required to ensure that the identified risks are adequately mitigated.

2   Priority of agreed actions

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

Table B.2: Priority of agreed actions

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

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

Typically audit observations can be viewed on two levels: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.[8]

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[8] 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.

To facilitate analysis and aggregation, observations are mapped to different categories:

3   Categorization by WFP's audit universe

WFP's audit universe[9] covers organizational entities and processes. Mapping audit observations to themes and process areas of WFP's audit universe helps prioritize thematic audits.

Table B.3: WFP's 2019 audit universe (themes and process areas)

A	Governance	Change, reform and innovation; Governance; Integrity and ethics; Legal support and advice; Management oversight; Performance management; Risk management; Strategic management and objective setting.
B	Delivery	(Agricultural) Market support; Analysis, assessment and monitoring activities; Asset creation and livelihood support; Climate and disaster risk reduction; Emergencies and transitions; Emergency preparedness and support response; Malnutrition prevention; Nutrition treatment; School meals; Service provision and platform activities; Social protection and safety nets; South-south and triangular cooperation; Technical assistance and country capacity strengthening services.
C	Resource Management	Asset management; Budget management; Contributions and donor funding management; Facilities management and services; Financial management; Fundraising strategy; Human resources management; Payroll management; Protocol management; Resources allocation and financing; Staff wellness; Travel management; Treasury management.
D	Support Functions	Beneficiary management; CBT; Commodity management; Common services; Constructions; Food quality and standards management; Insurance; Operational risk; Overseas and landside transport; Procurement – Food; Procurement - Goods and services; Security and continuation of operations; Shipping - sea transport; Warehouse management.
E	External Relations, Partnerships and Advocacy	Board and external relations management; Cluster management; Communications and advocacy; Host government relations; Inter-agency coordination; NGO partnerships; Private sector (donor) relations; Public sector (donor) relations.
F	ICT	Information technology governance and strategic planning; IT Enterprise Architecture; Selection/development and implementation of IT projects; Cybersecurity; Security administration/controls over core application systems; Network and communication infrastructures; Non-expendable ICT assets; IT support services; IT disaster recovery; Support for Business Continuity Management.
G	Cross-cutting	Activity/project management; Knowledge and information management; M&E framework; Gender, Protection, Environmental management.

4   Categorization by WFP's governance, risk & compliance (GRC) logic

As part of WFP's efforts to strengthen risk management and internal control, several corporate initiatives and investments are underway. In 2018, WFP updated it's Enterprise Risk Management Policy[10], and began preparations for the launch of a risk management system (Governance, Risk & Compliance – GRC – system solution).

As a means to facilitate the testing and roll-out of the GRC system, audit observations are mapped to the new risk and process categorisations as introduced[11] by the Chief Risk Officer to define and launch risk matrices, identify thresholds and parameters, and establish escalation/de-escalation protocols across business processes.

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[9] A separately existing universe for information technology with 60 entities, processes and applications is currently under review, its content is summarised for categorisation purposes in section F of table B.3.
[10] WFP/EB.2/2018/5-C
[11] As per 1 January 2019, subsequent changes may not be reflected in 2019 audit reports.

Table B.4: WFP's new ERM Policy recognizes 4 risk categories and 15 risk types

1	Strategic	1.1 Programme risks, 1.2 External Relationship risks, 1.3 Contextual risks, 1.4 Business model risks
2	Operational	2.1 Beneficiary health, safety & security risks, 2.3 Partner & vendor risks, 2.3 Asset risks, 2.4 ICT failure/disruption/attack, 2.5 Business process risks, 2.6 Governance & oversight breakdown
3	Fiduciary	3.1 Employee health, safety & security risks, 3.2 Breach of obligations, 3.3 Fraud & corruption
4	Financial	4.1 Price volatility, 4.2 Adverse asset or investment outcomes

Table B.5: The GRC roll-out uses the following process categories to map risk and controls

1	Planning	Preparedness, Assessments, Interventions planning, Resource mobilisation and partnerships
2	Sourcing	Food, Non-food, Services
3	Logistics	Transportation, Warehousing
4	Delivery	Beneficiaries management, Partner management, Service provider management, Capacity strengthening, Service delivery, Engineering
5	Support	Finance, Technology, Administration, Human resources
6	Oversight	Risk management, Performance management, Evaluation, Audit and investigations

5   Monitoring the implementation of agreed actions

The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions is verified through the Office of Internal Audit's system for the monitoring of the implementation of agreed actions. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

OIGA monitors agreed action from the date of the issuance of the report with regular reporting to senior management, the Audit Committee and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by Management, OIGA will issue a memorandum to Management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database and such closure confirmed to the entity in charge of the oversight.

When using this option, OIGA continues to ensure that the office in charge of the supervision of the Unit who owns the actions is informed. Transparency on accepting the risk is essential and the Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. OIGA informs senior management, the Audit Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.

Annex C – Acronyms

APP	Annual Performance Plan
CD	Country Director
CDC	Career Development Centre
CO	Country Office
CRF	Corporate Results Framework
DA	Duration of Assignment
EB	Executive Board
FAO	Food and Agriculture Organization
GSS	Global Staff Survey
HQ	Headquarters
HR	Human Resource
HRM	Human Resource Division
HRMTS	Individual Performance Strengthening Branch
KPI	Key Performance Indicator
L1	First Level Supervisor
L2	Second Level Supervisor
L&D	Learning and Development
LOE	Line of Enquiry
MRC	Management Review Committee
OEV	Office of Evaluation
OIGA	Office of Internal Audit
PACE	Performance and Competency Enhancement Programme
PIP	Performance Improvement Plan
RD	Regional Director
RMP	Performance Management and Reporting Division
WFP	World Food Programme