23 December 2019

Management comments to the Internal Audit Report of Food Procurement in WFP (AR/19/05).

WFP Management appreciates and welcomes the observations made by the Office of the Inspector General (OIG) in the Internal Audit Report of Food Procurement in WFP (AR/19/05) covering the period of 1 September 2017 to 31 August 2018, with fieldwork conducted from 29 October to 30 November 2018.

The volume of food procurement in WFP has continuously grown in recent years, with a 20 percent tonnage increase in 2018 compared to the previous year. This has put substantial strain on the existing staffing structure, and steps have been taken to strengthen processes and procedures to mitigate the risks.

The Proactive Integrity Review (PIR) of food procurement for the Syrian regional emergency operation in 2017 and the internal/external audit of food procurement in 2018 identified issues and areas of high risk in several thematic areas including contracting, procurement processes and vendor management.

Since 2017, WFP has addressed many of the findings of the PIR. The contractual standard terms and conditions along with relevant contracting templates were strengthened to include the recommendations from the PIR. The Food Procurement Manual was reviewed and issued together with new guidelines and memorandums during the year to better align with world class procurement best practices and to further reinforce segregation of duties, oversight and accountability. All documents were shared with country offices, regional bureaux and headquarters and are available on WFP’s internal website.

Subsequent to the period under review (1 September 2017 to 31 August 2018), WFP launched food procurement training using the new manual and guidelines in five of the six Regional Bureaux addressing some of the observations made in this audit report.

The internal audit highlighted four high priority and four medium priority observations. Among the high priority observations, two were identified in the areas of Food Safety and Quality and Vendor Management along with two in food procurement. Of the two high priority areas in Food Procurement, management acknowledges the high priority finding on staff resourcing which highlights the inconsistency of stable funding levels and skills. WFP Supply Chain Management
recognises the value of the report's observations and concurs with the action points and overall conclusion of 'Partially Satisfactory/Major improvement needed'.

The agreed actions are an important opportunity to strengthen the effectiveness of food procurement in WFP with respect to governance and risk management. Management is committed to addressing these issues by the due date and developing solutions to mitigate relevant risks.

Particular attention will be given to address the four high priority observations:

1. Staff capacity and funding – Management has already taken action in the HQ Food Procurement unit to address the lack of staff resources and funding. This also needs to be addressed at regional and country levels.

2. Food Safety and Quality – A new system has been developed for tracking quality analysis results and food incident management.

3. Procurement planning and market intelligence – Commodity sourcing strategies are developed on a six months basis and part of the training was to ensure that the RB/COs develop their own market assessments.

4. Vendor Management – Vendor vetting is continuously being strengthened. This includes contracting an external company to be involved in the management of INTEND to develop an online performance evaluation tool and reports to check the response rates per tender.

WFP Management thanks OIG for the valuable observations and support to strengthen and improve food procurement processes and procedures.