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Internal Audit of Goods and Services Procurement in WFP

Office of the Inspector General
Internal Audit Report AR/21/07



World Food
Programme

May 2021



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Internal Audit of Goods and Services Procurement in WFP

I. Executive Summary

Introduction and context

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of goods and services procurement that focused on the period from 1 January 2019 to 31 August 2020. The audit team carried out the fieldwork from 11 January to 12 February 2021, which included structured interviews with relevant stakeholders at headquarters and field levels, and documentation reviews to evaluate procurement processes. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.
2. WFP's procurement of goods and services includes all non-food items and services procured from commercial providers, but excludes contracts governed under ad-hoc manuals and rules such as contracts with individuals; contracts for WFP logistics; field level agreements to support WFP programmes and partnerships with other entities, including the private sector; and for the provision of pro-bono goods and services. In 2020, WFP procured USD 825 million of goods and services.
3. The audit explored three lines of enquiry related to: (i) governance mechanisms for the strategic management of procurement of goods and services; (ii) procurement practices and procedures to enable timely and cost-effective deliveries; and (iii) technology to support procurement processes at all levels.

Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **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 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.
5. The audit recognized the benefits of managing goods and services procurement processes on a decentralized basis because it provides country offices with the flexibility and agility to adjust procurement strategies to operational needs at the field level. Centralized category management related to specific standardized and strategic items was progressively introduced when considered beneficial to the organization. Over the years, WFP's operating model has evolved and corporate guidance has been updated to incorporate changes in the roles and responsibilities of some key participants, and to process clarifications recommended by previous oversight reports.
6. The expansion of cash-based transfer platforms, common services provision and technical units increasingly developing their own expertise to undertake procurement activities to varying extents are some of the significant recent changes that call for a reassessment of corporate strategies and the operating model for the procurement of goods and services. However, despite the increasing value and complexity of the goods and services WFP purchases globally, and the changes to its operating model, the organization has not sufficiently evolved the transactional, administrative and support roles of its headquarters procurement function. This has limited further integration with requesting and technical units for some procurement categories and has constrained the procurement function's ability to engage in advance with units and to adopt a more collaborative approach.
7. A comprehensive process review of the current decentralized model is required to identify gaps or duplication in activities and assess the transactional workload among actors. This will help clarify roles and responsibilities and better articulate the headquarters procurement function's value proposition. It will also enable the organization to realign the procurement function's capacity and skillset needs and to determine the appropriate balance



between its baseline activities related to transactional, analytical, oversight and strategic activities. Such a review has far reaching implications on how specialized and non-specialized goods and services are procured and whether some categories should be fully delegated or outsourced. Ultimately, it also requires sustained corporate financial support.

8. A procurement process review is also necessary before WFP can conduct a gap analysis of its existing systems and develop a road map of the procurement ecosystem as part of its digital strategy to determine what technology is required. Opportunities exist to streamline and simplify a heavily transactional process; integrate systems and data; and leverage technology for more effective risk management, monitoring, reporting and oversight.

9. Procurement has a critical role to play in vetting vendors entering WFP's pool of suppliers. The organization has learned from past experiences with partnership agreements and is developing processes and procedures to minimize conflicts of interest and incorporate principles of needs-based and shared-value partnerships. However, there is a need to strengthen existing cross-functional governance to identify potential conflicts of interest and supplier dependency risks associated with hybrid commercial contracts.

Actions agreed

10. The audit report contains two high and four medium priority observations. The Goods and Services Procurement Unit, in consultation with the Supply Chain Division and the Regional Bureaus, will be the primary lead for implementation of the agreed actions. Management has agreed to address the reported observations and to work to implement the agreed actions by their respective due dates.

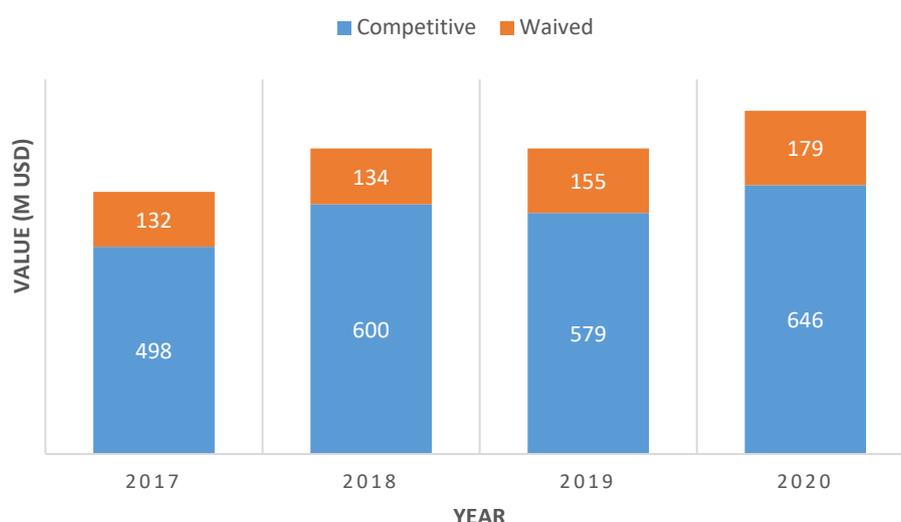
11. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

II. Context and scope

Goods and Services in WFP

12. WFP procured USD 825 million of goods and services in 2020: services represented 69 percent of the total value procured. On average (see Figure 1 below), 22 percent of procured goods and services were sourced with waived competition each year in the period 2017 to 2020. Purchases below USD 5,000 are considered Micro Purchase Orders (MPOs) delegated to requesting and relevant functional units for efficiency purposes; these represented only five percent of the total value procured in 2020.

Figure 1: Goods and services procured and waived 2017–2020



13. Fuel was the largest category of goods and services procured (by value), representing 12 percent of total expenditure in 2020. The top ten categories of goods and services procured accounted for 64 percent of total expenditure, as can be seen in Figure 2 below.

Figure 2: Top ten categories of goods and services purchased in 2020

Category	Value in USD (million)	%
Fuel & fuel related expenses	101	12%
Consultancy services	79	10%
Office services	61	7%
IT equipment	50	6%
Vehicles	48	6%
ICT services	48	6%
Safety & security	46	6%
Rent & utilities	44	5%
CBT platform & delivery	27	3%
Office supplies & equipment	25	3%
TOTAL	529	64%



Governance and organization of procurement

14. The Goods and Services Procurement Unit (SCOPG) is part of the WFP Supply Chain Operations Division¹ (SCO), and is one of the three units currently under the Procurement Division (SCOP) together with the Food Procurement Unit (SCOPF) and the Vendor Management Unit (SCOPV). The organizational structure to support the Global Procurement Strategy 2020–2025 foresees the creation of a fourth unit, Strategic and Operational Support (SCOPS), bringing together normative guidance, training, oversight and field support responsibilities for the procurement of both food and goods and services.

15. WFP follows a decentralized model for the procurement of goods and services, with different actors delegated by the Executive Director to enter contractual arrangements with vendors at headquarters, Regional Bureaux (RBs) and Country Offices (COs). Procurement authority has also been delegated to other WFP entities, in particular the UN Humanitarian Response Depot (UNHRD).

16. At WFP headquarters, SCOPG has overall responsibility for procuring goods and services. However, several technical branches within headquarters have developed their expertise over the years in procuring specialized items. For example, this extends to the Engineering Branch (MSDE) for engineering services and construction activities; the Technology Division (TEC) for information and communication technology (ICT) goods and services; the Cash-Based Transfers (CBT) and Markets Unit for contracting with retailers; and the Business Development CBT Branch (FINB) in the context of contracting with financial service providers (FSPs). These technical units may also take ownership of and responsibility for various parts of the procurement process, with SCOPG responsible for ensuring procurement principles are adhered to. SCOPG also provides technical expertise and guidance to RBs/COs; reviews and authorizes procurement actions exceeding the delegation of authority (DoA) of Regional Directors; and provides support and oversight to COs undertaking procurement using emergency procedures.

17. In the field, the procurement of goods and services is under the direct responsibility of Country Directors and Regional Directors. They are responsible for establishing units for the procurement activities required by their offices that operate within delegated authorities² and under the normative guidance, technical support and oversight of SCOPG. DoA in procurement are undergoing a review to include further sub-delegations of authority at the field level to cater for emerging business needs.

18. The Purchase and Contracts Committee reviews and examines procurement actions in accordance with the WFP Goods and Services Procurement Manual and Financial Regulations & Rules and render advice to the relevant procurement authority. Previous audit reports³ have repeatedly raised organizational issues which impair the role of these committees (including terms of reference not understood, limited resources available and lack of expertise to challenge decisions).

Digital technology to support procurement processes

19. WFP's procurement ecosystem includes the use of three separate ICT systems: the corporate WINGS⁴ ERP solution managed by TEC, and external services provided by external organizations in a "as a service" modality

¹ Restructured in 2015 to integrate logistics and procurement functions into a single coordinated management structure.

² As per Executive Director's Circular OED 2018/006 – Delegation of Authority (DOA) for Procurement and Contracting in Supply Chain Functions

³ Including CO audit reports, the internal audit reports of Food Procurement in WFP (AR/19/05), and Goods and Services Procurement (AR/16/06).

⁴ SAP WFP Information Network and Global System (WINGS) is the corporate solution for vendor management and is widely used during the contract management phase. The registration of information in this database is mandatory for engaging with vendors through the creation of a purchase order and is the basis for managing payments to vendors.



(e.g. In-Tend⁵ and the United Nations Global Marketplace [UNGM]⁶). The use of these systems goes beyond goods and services procurement and extends to other areas of the business such as food procurement and logistics, etc. Over the years, In-Tend has increasingly been used for competitive tenders and is currently used in almost all WFP operations.

Objective and scope of the audit

20. The objective of the audit was to provide assurance on the effectiveness of internal controls, governance and risk management processes related to goods and services procurement in WFP. The audit aimed to give assurance along the following lines of enquiry:

Line of enquiry 1: Do the governance, organizational model and resourcing mechanisms support strategic procurement practices?

Line of enquiry 2: Do WFP's procurement practices and procedures enable timely and cost-effective deliveries?

Line of enquiry 3: Is WFP capitalizing on technology to support procurement processes at all levels?

21. The audit was carried out in conformance with the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk management and internal control processes. It was completed according to an approved engagement plan and took into consideration a risk assessment exercise carried out prior to the audit.

22. The scope of the audit covered the period from 1 January 2019 to 31 August 2020. The audit fieldwork was carried out remotely from 11 January to 12 February 2021. The audit team carried out documentation and data analytics reviews, and structured interviews with key stakeholders including SCO Management, and headquarters procurement and technical units. A sample of three RBs comprising Cairo, Dakar and Nairobi were consulted.

⁵ In-Tend is an electronic tendering platform and, in some cases, is used for storing data about approved vendors. It is used by headquarters, RBs and COs.

⁶ UNGM is a portal for registration of prospective international vendors. It is mainly used at headquarters for identifying vendors that provide common goods and services. This portal is a means for vendors to self-register and to make themselves known to the UN market, including WFP.

III. Results of the audit

Audit work and conclusions

23. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory/some improvement needed**⁷. The assessed governance arrangements, risk management and controls were generally established and functioning but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified 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.

Environmental management

24. WFP introduced guidelines in 2019 to enable staff to integrate sustainable procurement principles and practices into purchasing decisions. The guidelines define areas of good practice to consider when defining the scope or evaluating competing bids, and represent a first step towards the alignment of WFP’s procurement practices with its Environmental Policy and with other UN agencies’ procurement policies within the framework of Sustainable Development Goal (SDG) 12 aimed at fostering sustainable consumption and production patterns.

Observations and agreed actions

25. 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

A: Do the governance, organizational model and resourcing mechanisms support strategic procurement practices?	
<i>1 Strategy, positioning and operating model</i>	<i>High</i>
<i>2 Staffing and resourcing</i>	<i>Medium</i>
<i>3 Oversight mechanisms</i>	<i>Medium</i>
B: Do WFP’s procurement practices and procedures enable timely and cost-effective deliveries?	
<i>4 Vendor management risk</i>	<i>High</i>
<i>5 Procurement practices and normative guidance</i>	<i>Medium</i>
C: Is WFP capitalizing on technology to support procurement processes at all levels?	
<i>6 Use of technology and tools</i>	<i>Medium</i>

26. The six observations of this audit are presented in detail below. Management has agreed to take measures to address the reported observations.⁸ 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.

⁷ See Annex B for definitions of audit terms.

⁸ Implementation will be verified through the Office of Internal Audit’s standard system for monitoring agreed actions.



A: Do the governance, organizational model and resourcing mechanisms support strategic procurement practices?

27. The audit reviewed the governance mechanisms established for the strategic management of procurement of goods and services. The procurement operating model has evolved impacting the roles and responsibilities of key actors, including procurement teams at headquarters, regional and field levels, requesting units, technical units, procurement authorities and the various committees or bodies in charge of the oversight functions.

Observation 1: Strategy, positioning and operating model

28. The audit observed that WFP's ability to design an optimal model aligned with the evolution and volume of goods and services procured by the organisation has been challenged by several factors. These include an unclear organizational strategy; absence of a defined road map; and unclear articulation of the respective roles and responsibilities between procurement teams at headquarters, regional and field levels⁹ and technical units. As a result, the organization has been unable to address issues related to SCOPG's capacity and staffing (see observation 2), and to determine the digital system and technology it requires to effectively and efficiently support procurement processes (see observation 6).

29. The mandate of goods and services procurement was initially set up as a support and administrative function to WFP's core food procurement activity. As WFP's operating model evolved, headquarters procurement was found to be not well adapted to support procurement associated with the expansion of CBT platforms and common services provision. Despite the identified need for support in such areas, the audit noted that SCOPG was mainly involved in transactional activities,¹⁰ and was not always perceived to add value to the procurement of complex goods and services (for example those with challenging needs and specifications). The audit observed gaps in consolidated global compliance work plans (especially relating to the oversight of some RBs); monitoring of post-factum purchases; and duplication of activities, which increased the overall transactional workload.

30. Category management strategies were not formalized or managed extensively by professional buyers. SCOPG did not have the technical expertise needed to support market research and sourcing for a growing number of complex categories (such as ICT services, consultancy services, financial services and retail contracting); nor was it realistic to expect all internal expertise to be built within the unit. As a result, technical units staffed with better levels of resources/skills to support requesting units sometimes took over responsibility for some aspects of procurement, including market intelligence and sourcing strategies. These units did not always involve SCOPG at an early stage when starting procurement actions in the field.

31. In addition, market fragmentation and the growing complexity of the goods and services procured did not always trigger the development of regional procurement strategies. Spending analyses performed by some RBs indicated the need for the development of adjusted regional procurement strategies (including the need for additional regional Long-Term Agreements [LTAs] and adjustment of procurement procedures to local practices¹¹).

32. At the time of the audit SCO was planning to restructure and reposition goods and services procurement based on three main outputs including: i) revision of corporate oversight of procurement processes; ii) management of transactional activities; and iii) complex category management. The new procurement strategy 2021–2025 was in draft at the time of the audit; it includes the establishment of a new Field Support Unit to take over oversight, normative guidance and field support responsibilities, with a renewed focus on training and capacity building.

⁹ In regional bureaus and country offices, the procurement function covers both goods and services and food.

¹⁰ SCOPG reported that staff allocated on average around 60 percent of their time to transactional activities, including procurement actions relating to headquarters needs; offices outside headquarters when the procurement action value exceeded their DoA; and global LTAs.

¹¹ RB Cairo stated that some suppliers could not respond to solicitation requests in the region because WFP e-tendering systems were not accessible in Arabic.

Underlying cause(s): No reassessment and review of roles and responsibilities (especially for strategic and complex goods and services) and SCOPG's value proposition as WFP's business model evolved. Unclear role of category managers to roll out category plans, strategic sourcing and supplier management initiatives for complex categories, also challenged by staff mobility. Initiatives to reinforce organizational structure and digital support not prioritized by management.

Agreed Actions [High priority]

SCO will:

- i) Undertake a comprehensive goods and services process review to clarify the roles and responsibilities of SCOPG and articulate its value proposition in relation to technical units, RBs and COs, especially with respect to strategic, complex or specialized goods and services. This will include clarifying roles and responsibilities of RBs and SCOPG in relation to oversight (refer to observation 3).
- ii) Determine and define when expertise needs to be delegated for complex categories.
- iii) Propose a model for sustained financial support for a revised/updated strategy to the Leadership Group, to include the adoption of an operating model for goods and services procurement guided by a clear accountability framework for decision making, risk and performance management.

Timeline for implementation

30 June 2022

Observation 2: Staffing and resourcing

33. As highlighted in previous audit reports¹² and recognized in part in SCO's risk register, SCOPG is challenged by: (i) a high number of short-term positions (approximately half of the team is on short-term contracts); (ii) a high number of junior team members with limited work experience; and (iii) a high transactional focus with limited time and capacity for tactical, analytical and strategic activities.

34. The draft 2021–2025 procurement strategy and a foreseen increase in Programme Support and Administrative Budget (PSA)¹³ are expected to alleviate some of the immediate pressures on SCOPG and provide job security for staff – four short-term positions will be regularized and workload redistributed between SCOPG and the new Field Support Unit.

35. The strategy also describes proposed changes in organizational structure and procurement as a whole. However, these changes had not been determined by assessments of staff capacity assessment or of funding methodology. As such, an agreed action on this topic from the 2019 internal audit of Food Procurement (observation 2 on resourcing – staff capacity and funding) remained open at the time of this report. In the absence of a clear operating model for goods and services procurement (discussed in observation 1 of this report), WFP has not been able to undertake a proper workload and skills gaps analysis to define the supporting structure required and to determine long-term funding needs.

36. While SCOPG has invested in and encouraged team members to progress with professional certifications (and on average five staff per year signed up for various level of certification). A 'basic procurement and contracting' e-

¹² Internal Audit of Goods and Services Procurement in WFP (AR/16/06) and Internal Audit of Food Procurement in WFP (AR/19/05).

¹³ An increase of approximately USD 900,000 is expected following an investment case submitted by SCO in 2020 responding to the request from the Deputy Executive Director made in the Committee on Supply Chain (CSC) of the first and second quarters of 2020.

learning course was launched in 2019, completion of such training was encouraged, though not mandatory, for procurement professionals or for staff involved in the procurement process.

Underlying cause(s): Procurement not prioritized in the PSA. High volume of goods and services procurement transactions. Absence of a defined procurement career path. Resource-based rather than needs-based budgeting methodology used. Goods and services procurement operating model not formally articulated (as per observation 1).

Agreed Actions [Medium priority]

SCOPG will:

- i) Through a workload and skills gap analysis, reassess and align the unit's structure and capacity to the goods and services procurement operating model once defined (observation 1) and determine the appropriate balance between its baseline activities relating to transactional, analytical and strategic activities.
- ii) Align training plans with the functional competencies required for the positions in the unit, ensuring the inclusion of tactical, analytical and strategic thinking skills.

Timeline for implementation

30 June 2022

Observation 3: Oversight mechanisms

37. During 2020 the COVID-19 global pandemic had led to a significant reduction or complete halt of procurement oversight missions from headquarters and RBs to field operations. SCOPG had not prioritized defining a methodology for remote oversight, and there were no corporately defined prioritization methodology and criteria (for example materiality, complexity and risk) to inform and assist the planning of oversight activities.

38. The ability to conduct remote oversight was further complicated by the absence of a framework for continuous monitoring of procurement transactions, and by systems limitations. While occasional reviews of purchase order (PO) reports, waivers and post-factum purchases occurred, these analyses were run manually and did not extend to strategic analysis covering risks (including compliance breaches and fraud red flags), vendor concentration, key categories and prices. The ability to conduct such analyses was challenged by skillset and data quality constraints (further detailed in observation 6) and, as highlighted by SCOPG, by the reassignment of staff.

39. While the volume of goods and services procured by WFP has grown substantially over the years, no global oversight mechanism was in place to conduct ex-post facto reviews of goods and services procurement (including for headquarters and field procurement) and to consider substantive policy and strategic issues.

Underlying cause(s): Oversight and remote monitoring not prioritized given staffing constraints and increase in workload following the COVID-19 emergency response. Limited corporate guidance on prioritization of oversight missions. Current siloed data not allowing SCOPG to capture critical goods and services procurement information to support oversight work. Goods and services procurement not seen as a corporate priority, despite having grown substantially.

Agreed Actions [Medium priority]

Once the roles and responsibilities of RBs and SCOPG in relation to oversight clarified (observation 1), SCO will develop and implement a methodology for global oversight and monitoring (virtual and on-site) of goods and services procurement including strategic analysis, ex-post facto procurement reviews, continuous monitoring of key risk indicators and criteria for selecting and prioritizing oversight activities.



Timeline for implementation

30 June 2022



B: Do WFP's procurement practices and procedures enable timely and cost-effective deliveries?

40. The audit reviewed procedures and practices designed to ensure efficiency and effectiveness in each stage of the procurement cycle, and that key risks are mitigated.

41. SCOPG continuously updated the goods and services manual as needed with key changes impacting roles and responsibilities; category management approach; procurement planning; justifications to exceptions to competitive tendering; procedures for requesting "Best and Final Offers" and direct negotiations; and rules concerning the use of LTAs. These changes addressed the main recommendations from previous audit reports on goods and services procurement.¹⁴

42. Adherence to the principles of competition was checked through the review of POs. SCOPG measures timeliness through the review of complaints raised by the business units. Poor planning was given as the main reason to explain delays.

Observation 4: Vendor management risk

43. Several recent oversight reports¹⁵ have highlighted that vendor management is an area where significant improvements are needed; some related agreed actions from these assignments were still in the process of being implemented at the time of this report. A vendor management investment case¹⁶ (approved in 2020 and granted USD 3.5 million) was recalled and deprioritized following the onset of the COVID-19 pandemic.

44. The audit reconfirmed previously known vendor management issues including: (i) vendor rosters were not operationalized; (ii) the headquarters Vendor Management Committee was not used for goods and services vendors, with responsibilities split between the requesting, procurement and vendor management units and the technical evaluation panel; (iii) there was no standardized process for due diligence and vendor registration; and (iv) the vendor performance evaluation process was incomplete. As such, while procurement plays a key role in terms of vetting and onboarding suppliers, some critical risks may not be sufficiently managed.

45. Looking at the distinction between a WFP private partner and a WFP vendor the audit noted the following:

- *Entry point as a WFP private partner:* A previous audit report¹⁷ highlighted cases of private partnerships resulting in unique positions with WFP that could favour subsequent commercial contracts and result in conflicts of interest and unclear competition. Substantial work was ongoing in this area by the Private Partnerships and Fundraising Division (PPF) to build in processes and procedures to minimize downstream conflicts of interest following partnership agreements. However, agreed actions from the previous internal audit report were still relevant, as the process to identify possible conflicts of interest and supplier dependencies downstream was not yet fully embedded in working practices, procedures, and culture, and posed a significant risk especially in partnerships with technology industry actors who may be driving the organization in a specific direction. These agreed actions were yet to be fully implemented and closed at the time of this report.
- *Entry point as a WFP vendor:* The audit noted commercial contracts that came with substantial discounts or with elements of in-kind donations, therefore not qualifying as partnerships but also not managed fully in

¹⁴ Internal audit of Goods and Services Procurement in WFP (AR/16/06).

¹⁵ Internal audit of Food Procurement in WFP (AR/19/05) and internal audit of Goods and Services Procurement in WFP (AR/16/06).

¹⁶ In 2018, the organization commissioned a review of Vendor Management Business Processes and Tools which identified 12 recommendations which, together with the outstanding oversight recommendations, formed the blueprint for a vendor management investment case.

¹⁷ Internal Audit on Goods and Services Procurement in WFP (AR/16/06) – observation 3 on Control Environment – policies and procedures.

line with competitive procurement principles, thus falling into a “grey zone”. In addition, third-party risk exposure (e.g. reputational, ethical and dependency risks) for key goods and services sourcing categories (such as ICT, FSPs and construction) was not comprehensively assessed

Underlying cause(s): Vendor management deprioritized. No framework and business process to comprehensively assess third-party risk exposure (for example strategic, reputational, ethical and dependency risks) for hybrid commercial contracts and key sourcing categories. WFP’s business practices not yet fully adjusted to shared-value partnerships and past approach to partnerships not always needs driven. Insufficient understanding of the delineation between partners and vendors across the organization.

Agreed Actions [High priority]

SCOP will:

- i) With the support of PPF and technical units, and considering the need for external expertise, assess best practices and establish a cross-functional governance and risk framework to manage commercial agreements with partnership elements.
- ii) Define a methodology and process to comprehensively assess third-party risk exposure for key categories.
- iii) In collaboration with PPF, will train and build capacity in the field on the delineation between vendors and partners and the related managing frameworks.

Timeline for implementation

30 June 2022

Observation 5: Procurement practices and normative guidance

46. The audit observed that requesting units did not consistently prepare acquisition plans, and that procurement plans were not used systematically as a tool to support the WFP procurement strategy across the organization.

47. While roles and responsibilities were clearly defined in corporate guidance, procurement units in the field did not systematically use consolidated plans and did not use a formal and integrated sourcing methodology. As such there were risks of inefficient and ineffective procurement processes, and of best value for money not always being obtained, linked to inadequate market research and intelligence, and single source and ad hoc purchases.

48. About one fifth of the goods and services procured in 2020 were waived, and a high percentage of post-factum purchases were identified from a review of procurement in field offices, mainly for fuel, consultancy and ICT services.

49. Rules concerning the purpose, use and solicitation for the establishment of global, regional and local LTAs, as well as call-offs against existing LTA procedures, were clarified in recent changes to corporate guidance. However, the audit still noted inaccuracies in the way COs were processing POs based on call-off against established LTAs. In addition, LTA spending analysis was still performed outside WINGS, which may prevent the timely detection of actual values exceeding estimated values.

50. SCOPG surveys of field procurement revealed opportunities for process simplification (including streamlining the role of the Purchase and Contracts Committee for small value POs and post-factum reviews, and simplifying the transactional review and endorsement processes by RBs and headquarters for field purchases). Lessons learned from procurement during the COVID-19 pandemic revealed that WFP was missing out on the benefits of online purchasing, when many organizations have already been using online marketplaces for a long period of time. At the time of audit, SCO was working on customizing legacy systems to accommodate online buying.



Underlying cause(s): Requesting units and contract managers not sufficiently involved in procurement planning and training. Further clarifications needed concerning the rules on the use of LTAs. SCOPG still to finalize the review of the consolidated feedback received from the field to address process clarification and simplification.

Agreed Actions [Medium priority]

SCOPG will:

- i) In collaboration with field procurement units, coordinate and undertake the necessary education and training actions to further enhance the efficiency and effectiveness of procurement processes in procurement planning, sourcing strategies, clarification of the rules on the use of LTAs, as well as improve compliance with existing policies, regulations and procedures across the organization.
- ii) In consultation with the Regional Bureaus, finalize consolidating the feedback received from field surveys to address process clarification and simplification, including considering options for online procurement.

Timeline for implementation

30 June 2022



C: Is WFP capitalizing on technology to support procurement processes at all levels?

51. The audit reviewed the existing WFP procurement ecosystem and its adequacy in supporting an end-to-end goods and services procurement process and effective management of procurement units' core activities. Application controls over the configuration and programmed functionality of In-Tend were also reviewed to ascertain if there was sufficient evidence that automated controls over the e-tendering process operated consistently over the audit period.

52. This audit review was complementary to the 2018 audit of food procurement in which the review of corporate systems included the checks performed on data registered in WINGS and In-Tend to ensure the accuracy and integrity of information.

Observation 6: Use of technology and tools

53. Digital procurement solutions should support procurement data analysis, with the aim of improving efficiency of analysis and risk management to inform strategic procurement decision making. However the audit confirmed long-outstanding observations reported in previous oversight reports related to fragmented procurement IT systems which do not ensure completeness and consistency of data.

54. These systems have very few connections and very limited data commonality, using different data coding. As a result of this lack of integration, there was a very limited exchange of information, creating gaps that did not facilitate data monitoring and reporting. Some important procurement processes continued to be managed manually (for example contract management, vendor management, market analysis, oversight, and reporting), and in different locations, resulting in little visibility of end-to-end data and unclear compensatory manual controls.

55. In-Tend was used across the organization mainly as a repository with the e-tendering module (project administration) as the only functionality in use since 2011. Other functionalities were still not in use (for example contract administration, evaluation, contracts due for renewal and key performance indicators) due to technical and integration issues. Ad-hoc decisions made on the use of this procurement system (such as customization of In-Tend for food procurement) were not supported by gap analyses to identify critical procurement processes for digitalization, and possible existing in-house or market solutions to meet required needs.

56. Although In-Tend is used widely across WFP, SCOPG was the de facto business and product owner of In-Tend, assuming cross-functional responsibilities usually reserved for business owners, including identifying and approving product deliverables and project monitoring. With its limited capacity, SCOPG did not have a dedicated team for managing In-Tend, and therefore requested (i) corporate assistance for the guardianship of the e-tendering system to ensure stable funding for its maintenance; and (ii) a qualified procurement staff member to oversee and manage support of the system more consistently. A review of In-Tend application controls indicated the existence of effective automated preventive controls; however, no formal process was in place for the systematic removal of users no longer involved in procurement activities, or for regular data cleansing.

57. Siloed data did not allow SCOPG to capture critical goods and services procurement information. At the time of the audit, the unit was working on populating goods and services procurement data in WFP's Enterprise Data Management platform (DOTS¹⁸) to provide more visibility of its data across the systems in use and to initiate systematic and continuous monitoring by the second quarter of 2021 (for example with dashboards, spend analysis as well as analysis of red flags and compliance breaches). This would provide an opportunity for the procurement units to obtain strategic sourcing insights and better monitor key risks within a delegated model. This approach however does not trigger a thorough review of processes as supported by systems as the one required to identify and simplify transactional steps in a process, and streamline duplicative or complex processes.

¹⁸ DOTS is a data integration platform that enables staff to better access, understand and disseminate data across WFP in a safe and secure manner, empowering staff to make more informed and impactful decisions in their roles



Underlying cause(s): Assessment of WFP's procurement technology and tools delayed as a fit for purpose process review of goods and services procurement not yet completed. Absence of a corporate decision on the cross-functional ownership and management of In-Tend.

Agreed Actions [Medium priority]

SCO will:

- i) After completing its fit for purpose process review, and in collaboration with TEC, conduct a gap analysis of existing systems and develop a road map of the procurement ecosystem as part of its digital strategy to determine what technology is required.
- ii) Work on and issue a corporate decision on the cross-functional management of In-Tend including, but not limited to, the ownership and definition of business processes; definition of standard business requirements; definition of system design and configuration; and data cleansing.

Timeline for implementation

31 December 2022

Annex A – Summary of observations

The following tables show the categorization, 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.

Categories for aggregation and analysis:						
High priority observations	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic: Risks (ERM) Processes (GRC)		Implementation lead	Due date(s)	
1	Strategy, positioning and operating model	Strategic management & objective setting	Business model risks	Non food items	SCO	30 June 2022
4	Vendor management risk	Procurement - goods & services	Partner and vendor risks	Partner management	SCOP	30 June 2022
Categories for aggregation and analysis:						
Medium priority observations	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic: Risks (ERM) Processes (GRC)		Implementation lead	Due date(s)	
2	Staffing and resourcing	Human resources management	Business model risks	Human resources	SCOPG	30 June 2022
3	Oversight mechanisms	Management oversight	Governance & oversight risks	Risk management	SCO	30 June 2022
5	Procurement practices and normative guidance	Procurement - goods & services	Business process risks	Non food items	SCOPG	30 June 2022
6	Use of technology and tools	ICT governance and strategic planning	Business model risks	Technology	SCO	31 December 2022

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.¹⁹

¹⁹ 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 universe²⁰ 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 its Enterprise Risk Management Policy²¹, 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 categorizations as introduced²² by the Chief Risk Officer to define and launch risk matrices, identify thresholds and parameters, and establish escalation/de-escalation protocols across business processes.

²⁰ A separately existing universe for information technology with 60 entities, processes and applications is currently under review, its content is summarized for categorization purposes in section F of table B.3.

²¹ WFP/EB.2/2018/5-C

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 mobilization 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 actions 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

CBT	Cash-Based Transfer
CO	Country Office
COVID-19	Coronavirus disease
DoA	Delegation of Authority
FSP	Financial Service Provider
ICT	Information and Communication Technology
In-Tend	WFP e-tendering system
LTA	Long-Term Agreement
OIGA	Office of Internal Audit
PO	Purchase Order
PPF	Private Partnerships and Fundraising Division
PSA	Programme Support and Administrative Budget
RB/s	Regional Bureau/s
SCO	Supply Chain Operations Division
SCOP	Procurement Division
SCOPG	Goods and Services Procurement Unit
TEC	Technology Division
USD	United States Dollar
WFP	World Food Programme
WINGS	WFP Information Network and Global Systems