

Internal Audit of WFP's Ocean Transport (Shipping)

Office of the Inspector General
Internal Audit Report AR/21/11

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Internal Audit of WFP's Ocean Transport (Shipping)

I. Executive summary

Introduction and Context

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's Ocean Transport (Shipping) that focused on the period 1 January 2019 to 31 December 2020. The audit team carried out the fieldwork from 2 April to 6 May 2021, including structured interviews with relevant stakeholders at headquarters and field levels, data analytics, and documentation reviews to evaluate contracting processes. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2. WFP's Shipping Service (also referred to as "Shipping") has been operating for more than 50 years with the mandate to organize and manage the transport by sea of WFP's food and non-food commodities. It is a centralized function of WFP's Supply Chain Operations Division, operating from headquarters in Rome, from where it handles in-house all international cargo movements by sea, servicing WFP's country offices, key corridors and port operations. It is unique in the United Nations and has sole responsibility for all ocean transport contracting and execution of related vessel operations. The Shipping Service has continued to deliver on its humanitarian mandate while operating within a highly dynamic and competitive market that underwent significant consolidation before and during the COVID-19 pandemic.

3. Shipping volume has increased since 2015, reaching 3.2 million metric tons in 2019 (a 60 percent increase). This correlates with the in-kind food value transferred by WFP, which also followed an upward trend in the same period, reaching USD 3 billion in 2020 (a 21 percent increase from 2015). Other WFP assistance modalities have also increased during this period, with cash-based transfer values reaching USD 2 billion in 2020.

4. The audit explored four lines of enquiry related to: (i) strategy and governance; (ii) funding and staffing; (iii) processes and procedures to enable complete, timely and cost-effective delivery; and (iv) technology to support shipping processes.

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 **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.

6. The Shipping Service has delivered on its mandate, and the audit acknowledges its strengths in strategic market and competition analyses, and its sound assessment of risks. Stakeholders at headquarters and in the field¹ confirmed Shipping's excellent reputation, professionalism and technical expertise, and recognised its establishment of coordination upstream and support downstream. The issues and actions raised in this report are important to further increase the efficiency and effectiveness of the Shipping Service. The audit has concluded that they have not impacted upon the achievement of its key objectives.

¹ Corroborated at field level through questionnaires and structured interviews with 16 country offices, including key corridors and port operations.

7. Since 2015, Shipping has managed increasing levels of tonnage shipped globally in response to multiple Level 3 emergencies, and growing volumes of food and in-kind deliveries. It has also delivered on an increasing number of re-routings from the use of WFP's Global Commodity Management Facility which require flexibility in the organisation's supply chain. In 2020 Shipping was central to the success of WFP's COVID-19 response, with its agility in responding to the sharp increase in service provision requests from governments and humanitarian partners, and in achieving record levels for delivery in non-food items shipped. However, corporate attention on other strategic priorities may have diverted efforts from strengthening supply chain operations, and a lack of continuity in leadership has not allowed for the timely resolution of escalated issues; there is a need for management to prioritize the actions included in this report relating to process streamlining, digitization and human resources matters.

8. The Shipping information technology ecosystem comprises distinct systems, databases and offline tracking tools that are not integrated and/or interfaced. All technology and digital solutions are coordinated centrally within Supply Chain Operations Division to ensure process alignment and system integration across its various units; however, recent corporate initiatives focusing on increased agility and flexibility did not sufficiently consider the process and systems needs of the Shipping Service. This has resulted in patch solutions for sub-optimized processes and a significant increase in transactional and manual workloads, as well in other routine tasks which challenge operational efficiency.

9. The Shipping Service lacks a stable workforce structure to serve its centralized expert function. 75 percent of its staff are contracted on either a rotational or short-term basis, resulting in continuous staff movements. Because of the limited internal skill set and technical expertise, recent reassignment exercises for professional positions have in practice led to staff, especially at management level, being kept in their posts. This has important implications in terms of key people dependencies and succession planning. Significant amount of management's time and workload are spent away from planned activities on human resources tasks. Overall, the lack of stability in staffing structure, which has not been fully addressed by funding needs and human resource processes, continues to be a key risk to operational efficiency and knowledge management.

Actions agreed

10. The audit report contains two high and four medium priority observations. The Shipping Service, in consultation with Supply Chain Operations Division, will be the primary lead for the implementation of the agreed actions. Management has agreed to address the reported observations and 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.

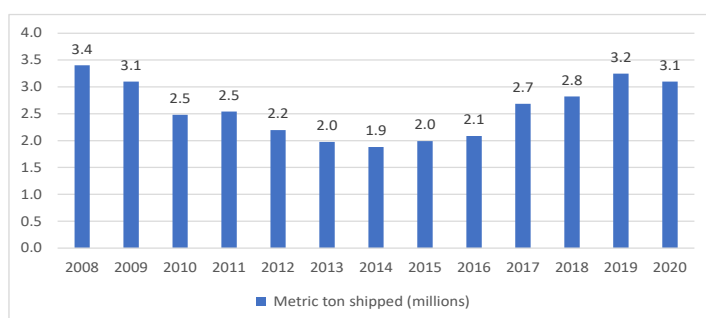
II. Context and scope

WFP's Ocean Transport (Shipping)

12. WFP's Supply Chain Operations Shipping Service (SCOS) is a dedicated in-house shipping service that aims to enable WFP to transport food and other assistance by sea, often over vast distances, as cost-effectively as possible. On average, 75 percent of WFP's food commodities are transported to their destination by sea using chartered vessels and regular liners or container shipping services, making ocean transportation a crucial link in WFP's supply chain. By working with a specialized and reliable network of shipbrokers and freight forwarders, SCOS annually moves cargo from some 135 load ports to 82 delivery ports.

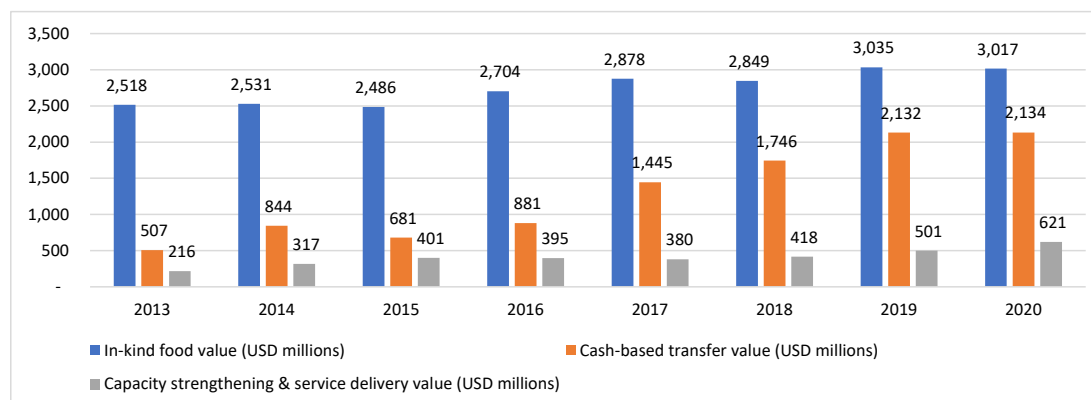
13. WFP's shipping volume decreased during the 2008–2014 period and reached its lowest level in 2014 at 1.9 million metric tonnes (mt). Since 2014, however, shipping volume has increased, reaching 3.1 million mt by 2020 (a 65 percent increase from 2014), which is at the same level as in 2009.

Figure 1: WFP's shipping volume, 2008–2020²



14. As shown in Figure 2, the in-kind food value transferred by WFP has increased by 21 percent since 2015, reaching USD 3 billion in 2020, which correlates with the increase in shipping tonnage highlighted above. Other modalities of WFP assistance have also increased during this period, with the cash-based transfer (CBT) value reaching USD 2 billion in 2020.

Figure 2: Value of WFP's assistance, 2013–2020³



² Source: WFP Shipping Q3 and Q4 Committee of Supply Chain overview – March 2021.

³ Source: WFP Cash-based transfer dashboard (CashBoard).

15. In-kind food provided by the United States Agency for International Development (USAID) represents 40 percent of the annual shipping load. Food assistance requirements represent the vast majority of the workload; however, SCOS also increasingly organizes the transport of non-food items (NFI) such as medical supplies – in particular, the transport by sea of COVID-19-related personal protection equipment (PPE), which increased in the second half of 2020 – portable storage units, generators and vehicles.

16. Upon request, SCOS also provides services and support to humanitarian partners ranging from other United Nations agencies to governments and international and national non-governmental organizations. This support can involve the shipping of cargo on behalf of organizations and the provision of passenger transport where necessary during emergencies, including standby capacity for evacuations. Recent years have seen an upward trend in service provision in both the charter/bulk and liner trades. Service provision of food commodities by sea increased from 6 percent in 2019 to 10 percent in 2020. More specifically, in 2020, some 200,000 mt were shipped to different destinations under the Service Provision umbrella, and with the Pandemic acting as a catalyst, another 320,000 mt were contracted in the same year for shipment in early 2021. Significant increases in NFI shipments/volumes⁴ were witnessed as well, going from only ten service provision shipments in 2019 (for the shipment of just over 200 containers) to more than 170 such shipments in 2020 and well over 1800 containers (shipped).

17. By the end of the first half of 2020, WFP faced a volatile and highly unpredictable shipping market: quarantine, restrictions on the movement of goods and people, and on services across the board, resulted in longer sailing times, longer lead times for suppliers, longer transits for containers and slower discharge rates as a result of lower productivity in many ports. The retraction of economies and the reduction in global trade strongly impacted the industry. However, trends experienced in the first half of the year relating to idle ships, overcapacity, suspension of services and ocean carriers struggling to survive started to reverse in July. The second half of 2020 proved to be a record year (since 2008) with respect to freight rates and profitability for container shipping lines. The situation was also impacted by unprecedented competing demand and significant container shortages and vessel capacity constraints. SCOS keeps abreast of the market via daily research and intelligence gathering.

Governance, compliance and structure

18. SCOS is a WFP function with an expert technical skill set and centralized control at the corporate level. With a direct line reporting from the SCOS Chief to the Supply Chain Operations Division (SCO) Director, SCOS is organized through three main units: Charter Contracting and Operations; Liner Contracting and Operations; and Freight Control and Reporting (FCU). SCOS is the sole contracting party for WFP's ocean transport and arranges shipments of humanitarian assistance cargoes primarily in response to Country Office (CO) demand and evolving needs, and ensures planning, coordination and support for such shipments.

19. Because of the nature of WFP's operations and the places where operations take place (including for example poorly managed ports, piracy, and war and civil unrest zones), only a limited number of vessel owners agree to work for WFP. WFP's Maritime, Transport and Insurance Law Branch jointly with SCOS worked with the Baltic and International Maritime Council to create a widely accepted and extensive maritime contract,⁵ which SCOS uses to charter vessels for WFP's needs.

⁴ Tonnage is not always the best measure of NFIs shipped. Also, current tools/reports do not always provide easy ways to report on other key figures such as cubic meters. The on-going NFI project should help resolve these issues, if SCOS' direct participation is ensured.

⁵ Charter party "WORLDFOOD 2017".

20. For commodities purchased by WFP and for well over 80 percent of in-kind donations in most years, SCOS is responsible for the tendering and selection of the vessel or liner, the overview of operations and the approval of supplier invoices. For commodities donated by USAID, SCOS does not manage the tenders, but works with USAID to specify only the freight and customs requirements in the USAID tendering system. USAID Transportation, on behalf of the United States government, advises on carrier selection based on United States Cargo Preference rules/flagging clearance and lowest landed costs (using United States-flagged vessels in 50 percent of the cases).

21. SCOS reports its operational activities on a quarterly basis to the Committee on Supply Chain (CSC), including data on operations and analyses of the shipping market and freight rates.

Financial and human resources

22. SCOS operates with a structural funding shortfall. In 2020, SCOS's overall funding needs were budgeted at USD 7 million; 50 percent of this was funded by WFP's core Programme Support and Administrative (PSA) budget. COs (with high probability of funding from Yemen and Syria) and cost recoveries from service provision support SCOS with further funding. Extrabudgetary resources make up the remainder through internal cost allocations for Shipping transferred in PSA, the Global Commodity Management Facility (GCMF), UliSeas project and junior professional officer government-sponsored funding.

23. In 2021, SCOS participated in the corporate Bottom Up Strategic Budget Exercise (BUSBE), as a part of WFP's ongoing commitment to ensure appropriate funding allocation and improve efficiency. Under this structure, six main activities were budgeted from 2022 for SCOS to improve its service, coverage and capacity building: (i) provision of Ocean Transport services to WFP; (ii) provision of Ocean Transport services to WFP through and in support of GCMF; (iii) provision of comprehensive shipping solutions to the wider humanitarian community, including through Bilateral Service Provision; (iv) provision of technical support and advice for effective corridor management; (v) reinforcement of WFP's global shipping market coverage; and (vi) support for national capacity building on shipping-related activities.

24. The SCOS Chief oversees a team of approximately 50 employees, most of whom are general service (GS) staff, supervised by rotational professional (P-level) staff positions. The unit also includes around ten consultant positions. At the time of the audit, five P-level and six GS positions were vacant. Shipping requires expertise and knowledge of the maritime industry; it also requires the establishment of a network of diverse industry relationships, including carriers, forwarding agents (FAs) and brokers.

Technology supporting Shipping operations

25. SCOS is working with a fragmented and complex information technology (IT) environment. In addition to WFP's Enterprise Resource Planning solution, WFP Information Network and Global Systems (WINGS), managed by the Technology Division (TEC), and its subsets Logistics Execution Support System (LESS), Invoice Tracking System (ITS) and Supply Chain Information Price System (SCIPS) and maintenance of freight rates, SCOS operates through two stand-alone systems:

- Uniform Logistics Information on Sea Shipments (ULISeaS) allows for real-time tracking of all WFP's vessels across the globe and for reporting. The platform tracks containerized cargo from the moment of booking, the pick-up of empty containers, the arrival at the terminal, and sailing transshipment points, until the vessel's empty return. It is accessible by COs and Regional Bureaus (RBs), as well as by the freight forwarders for key inputs on each voyage.
- Web Based Supply Chain Management (WBSCM) is managed by the United States Department of Agriculture as their tool to solicit both commodity and ocean freight offers. It is an integrated, internet-based commodity acquisition, distribution and tracking system built on SAP. WFP was

mandated to use it for any WFP commodities, without any additional funding or resources to manage the extra work that came with it. WBSCM is not integrated with WFP's systems.

Objective and scope of the audit

26. The objective of the audit was to provide assurance on the effectiveness of internal controls, governance and risk management processes related to WFP's ocean transport. 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.

27. 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 before the audit.

28. The scope of the audit covered the period 1 January 2019 to 31 December 2020. Where necessary, transactions and events pertaining to other periods were reviewed. The audit fieldwork was carried out remotely from 2 April to 6 May 2021. The audit team conducted structured interviews with relevant stakeholders at headquarters and field levels, data analysis and documentation reviews to evaluate contracting processes. The team consulted a sample of ten COs, some with port and corridor operations, and all six RBs through a structured questionnaire, and held follow-up interviews with three COs and one RB.

III. Results of the audit

Audit work and conclusions

29. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **effective / satisfactory**⁶. 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.

Environmental management

30. WFP introduced its environmental policy⁷ in 2017. This commits WFP to systematically identify, avoid and manage risks to the environment. The 2021 SCOS strategic road map highlights sustainability as one of its six pillars, and SCOS aims to promote sustainable ocean transport through its work. As part of the Environmental and Social Sustainability Framework (ESSF) and other ongoing green initiatives across SCO, SCOS will determine how best to actively contribute to these efforts, operationalize the ESSF guidelines and promote/support International Maritime Organization global policies on total annual greenhouse gas emissions.

Observations and agreed actions

31. 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: Are WFP's shipping operations adequately supported by strategies, governance arrangements and performance management processes?		
<i>1 Strategic risk and performance</i>		<i>Medium</i>
B: Is the Shipping Service adequately resourced with funds and staff?		
<i>2 Funding mechanisms and stability</i>		<i>Medium</i>
<i>3 Workforce structure and human resources processes</i>		<i>High</i>
C: Do WFP's shipping processes and procedures enable complete, timely and cost-effective delivery?		
<i>4 Management of service providers and operational tools</i>		<i>Medium</i>
D: Do existing information technology systems and tools effectively and efficiently support shipping processes?		
<i>5 Technology, processes and transactions</i>		<i>High</i>
<i>6 Recording and reporting on downstream costs</i>		<i>Medium</i>

⁶ See Annex B for definitions of audit terms.

⁷ <https://www.wfp.org/publications/2017-wfp-environment-policy>

32. The six observations of this audit are presented in detail below.

33. 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.

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

A: Are WFP's shipping operations adequately supported by strategies, governance arrangements and performance management processes?

34. The audit reviewed SCOS's strategy formulation and the performance and delivery of its mandate and planned activities, including: (a) key analyses supporting the formulation of a strategic road map; (b) alignment with WFP's and SCO's strategic goals; and (c) mechanisms for monitoring and escalating SCOS's strategic risks and performance. The audit also reviewed oversight mechanisms and risk management supporting SCOS.

35. SCOS has recently articulated through extensive internal consultations its strategic road map with six objectives supported by specific enablers. These derive from its mandate but are also linked to WFP's strategic objectives and SCO's ongoing work on its development strategy for 2022. Preliminary review of SCOS's road map and enablers indicates that they are informed by a solid analysis of risks and of market and competition dynamics. SCO has recognized the need to recentralize authority and decision making in terms of funding and capacity for key corporate corridors and port operations, and work is underway to address the interdependency between SCOS and recipient COs, and potential risks downstream in the supply chain.

Observation 1: Strategic risk and performance

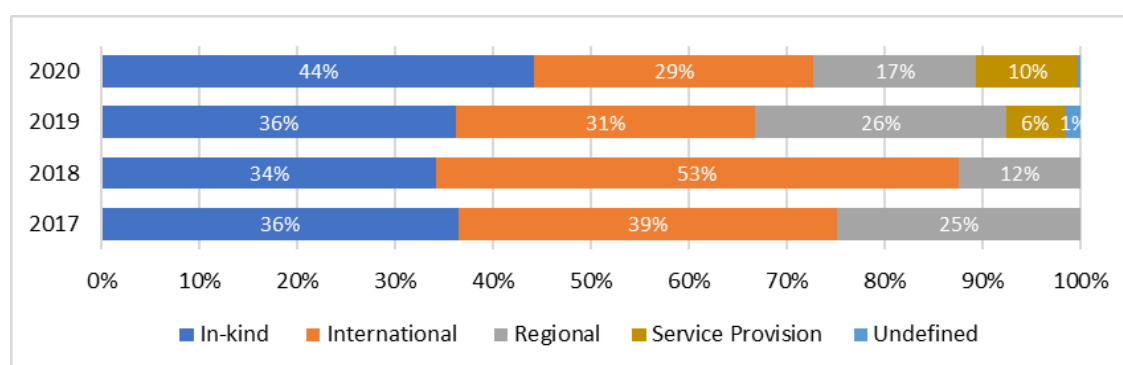
Approach to the market

SCOS regularly analyses strategic challenges arising from rapidly changing market dynamics, and benchmarks against best practices and reports on these to CSC and senior management. However, such analyses have not informed or resulted in subsequent actions or decisions for SCOS to adapt its operating model and/or processes such as how it approaches the market and how it undertakes contracting.

Increasing level of service provision

36. As illustrated in Figure 3, service provision levels for the shipping of food commodities increased from 6 percent in 2019 to 10 percent in 2020. Ad hoc partner requests also rose, in addition to the normal business workload. How to position SCOS to sustain support in response to this demand from partners has yet to be formally defined; it should be noted that this is an ongoing area of focus for SCO's upcoming strategy from 2022.

Figure 3: Sourcing of food commodities shipped, 2017-2020⁹



Key performance and risk indicators

37. Key performance indicators (KPIs) and key risk indicators (KRIs) to measure, track and report on SCOS's performance changes to its risk profile were yet to be established. SCOS's annual performance plan (APP)

⁹ Goods and Services Procurement Unit (SCOPG) analysis of sourcing of food commodities shipped 2017-2020.

and CSC reporting show that some KPIs were tracked, monitored and reported upon. However, there were several issues associated with the KPIs used in the APP that were delinked from strategic indicators (for example activities to be completed listed as KPIs, or indicators that were not specific, measurable or achievable), while KRIs had not been defined. SCOS's current work on articulating its strategic road map provides an opportunity to reassess its key metrics to track progress and report on strategic risks and performance.

CSC oversight mechanisms

38. CSC selectively and retrospectively reviews several areas relating to Shipping, as per its terms of reference (TOR),¹⁰ except for the appointment of and changes to agents, forwarders and brokers.¹¹ However, while CSC is also expected to focus on substantive policy and strategic issues related to transport and can make recommendations to the Executive Director, there was no evidence that such substantive policy and strategic issues for shipping had been discussed. In addition, an issue with respect to PSA funding stabilization initially raised in 2017 took four years to progress. A USD 1 million increase in PSA allocation has been made available to SCO as part of WFP's Management Plan but has yet to be approved by the Executive Board (planned for November 2021).

Underlying cause(s): Strategic risks arising from market and competition analyses not resulting in options for model and process adjustments that require decisions. Assessment of the capacity and process needs to deliver on increasing demand for service provision in the context of the wider SCO strategy not undertaken. Systems and data constraints preventing tracking and measurement of some KPIs and KRIs. Oversight committee used for information sharing on past activities rather than decision making on strategic risks and policy issues. Several changes in SCO management, which did not allow key risks to be sufficiently addressed.

Agreed Actions [Medium priority]

SCOS will:

- a) Build on its strengths in market and competition analyses to identify options and opportunities for model and process adjustments, especially on how it approaches the market and contracts with third parties, and escalate these for decision making at SCO level.
- b) Assess its capacity and process requirements to meet the increasing demand in service provision.
- c) Establish key metrics for measuring and reporting strategic performance and risks, and address the systems and data requirements, to develop a monitoring and reporting dashboard for its key strategic indicators.
- d) In consultation with SCO, assess the strategic issues and risks to be reported and escalated for decision making at the CSC level.
- e) Ensure its CSC reporting on appointments of and changes to agents, freight forwarders and brokers is in line with Rule 112.22.

Timeline for implementation

31 December 2022

¹⁰ Contracts, rate agreements, stevedoring agreements, waivers, etc.

¹¹ As per Financial Rule & Regulation 112. 22.

B: Is the Shipping Service adequately resourced with funds and staff?

39. The audit reviewed key processes and decisions related to SCOS's funding model and financial management, including analyses of: (a) funding sources and their movements from 2019 to 2021; (b) operating costs and related funding coverage; and (c) MCR sources from specific services (service provisions). Review of staffing was mostly performed through data analytics (analysis of staff movements over the audit period, number and length of open vacancies, rotations within the management team). The audit also analysed the TORs for a sample of positions and their alignment with grades and areas of responsibility.

Observation 2: Funding mechanisms and stability

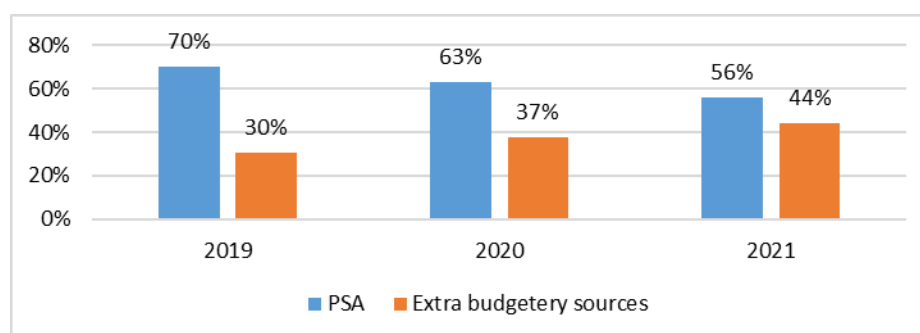
40. The total budget for SCOS has grown by 15 percent since 2019 (from USD 6.1 million in 2019 to USD 7.1 million in 2021). In the 2019–2021 period, on average 54 percent of the annual budget was funded through PSA, with extrabudgetary resources secured from SCO units and COs making up the balance (Table 2).

Table 2: SCOS's budget and sources of funding, 2019–2021¹²

	2019	2020	2021	Trend	Funding proportion to budget
	Amount in USD			Percentage change 2019-2021	Average percentage 2019–2021
Total budgeted expenditure	6 170 443	7 013 856	7 087 696	+15%	
Funding sources:					
PSA	3 472 945	3 717 570	3 696 893	+6%	54%
Extrabudgetary ¹³	1 516 176	2 225 989	2 902 655	+91%	32%
Net budget shortfall	1 181 322	1 070 297	488 148	-59%	14%

41. In the same period, while funding requirements have increased the PSA allocation has proportionally decreased from 70 percent to 56 percent (as shown in Figure 4), while the proportion of extrabudgetary funding increased from 30 percent of total funding in 2019 to 44 percent of total funding in 2021.

Figure 4: Proportion of funding sources in total SCOS budget, 2019–2021¹²



42. Apart from the PSA and WFP's Global Commodity Management Facility (GCMF) allocations, which are reliable funding sources, all other funding sources were ad hoc or arranged to bridge gaps (with the

¹² Data source: SCOS budget analysis 2019–2021.

¹³ Excludes trust funds.

coordination and support of the SCO division)¹⁴. When reliable sources of funding have not materialized, SCOS has sought support from SCO management, COs and other units and divisions. In 2021, USD 900,000 is anticipated in MCR revenue from service provision to Ethiopia, Sudan and Israel; if this does not materialize, SCOS will need to find alternative sources and bridge this significant funding gap.

43. SCO receives 8 percent¹⁵ (2021 projected) of the total headquarters and corporate PSA, one of the highest allocations amongst headquarters divisions. The criteria and procedures for sub-allocating PSA at the SCO divisional level were unclear, and SCOS management was not involved in such decisions made at divisional level. An extra USD 1 million PSA allocation was granted to SCOS at the end of 2020 by CSC and was pending subject to 2021 Management Plan approval.

44. Low levels of PSA funding have in practice led SCOS to issue short-term contracts for its staff (see observation 3). In addition, the increases in funding requirements over recent years reflect an increased complexity (for example service provision request uptick and increase in number of re-routings with GCMF) and level of transaction processing, as well as manual workload increases (see observation 5). Funding for SCOS has been discussed at length in the past four years, both at the CSC and SCO management levels; however no decisions have been taken with regard to optimal levels of funding and how this should be achieved, i.e. whether reliance on increasing levels of extra-budgetary resources should continue or whether alternative funding models such as cost-recovery mechanisms should be pursued. The recent BUSBE submission for SCOS has identified budget requirements for delivering on its strategic pillars; however, it will not address SCOS's funding requirements that are driven by the increase in transactional/manual workload and related staff needs (observations 3 and 5).

Underlying cause(s): Insufficient clarity on funding requirements linked to increase in transactional and manual workload and complexity in processes, leading to delayed senior management decisions on SCOS's stable PSA levels and alternative funding options. Multiple SCO management changes that led to funding issues not followed through or acted upon.

Agreed Actions [Medium priority]

SCO will assess the optimal level of PSA allocation and extra-budgetary resources for SCOS, plus alternative funding options such as full/partial cost recovery from service provision, with the aim of ensuring a more sustainable funding model to support growing shipping volumes and associated workloads.

(This action will be taken to complement SCO's BUSBE exercise and following implementation of actions under Observation 5).

Timeline for implementation

31 December 2022

¹⁴ In 2021, approximately 65 percent of the funding sources were long term and reliable (PSA and GCMF), and for the remaining 35 percent, sources were ad hoc and arranged on the basis of need (CO contributions, MCR revenue from service provision and various investment cases).

¹⁵ "WFP Management Plan 2021-2023" (WFP/EB.2/2020/5-A/1/Rev.1).

Observation 3 : Workforce structure and HR processes*Stability of the staffing structure*

45. Of 54 positions in SCOS at the time of the audit, 30 were either rotational (professional staff positions) or temporary (consultants and short-term GS positions). Analysis of staff movements in 2020 showed that SCOS dealt with two to three joiners and one to three leavers (which impacts institutional knowledge) on average each month. The timing and length of the various breaks in service for such temporary positions and the various tenures of each contract type (six to eleven months in most cases) added to the complexity of managing the team.

46. The above factors had serious implications for both workload and knowledge management. A substantial amount of SCOS management's time and workload was spent on staff structure, HR processes and related administrative tasks: 20 percent of the daily work for the heads of charters and liners, and up to 40 percent for the head of FCU. Together with ongoing recruitment efforts, the onboarding and training of new staff was time consuming given the positions and related tasks and the absence of procedures for key parts of the end-to-end process (Observation 4).

Span of control and grading of positions

47. The position grading of the FCU head (currently P3 rotational) was not consistent – either within the unit or compared with other SCO units – with the number of direct reports (more than 20) and the wide range of activities and tasks undertaken. The position also involved numerous tasks and reporting for SCO and required technical and data analytics skills as well as shipping knowledge. For GS positions, TORs were defined at a high level and did not fairly represent the responsibilities and activities undertaken for the various jobs within SCOS. More specifically: (i) further analysis of specific GS positions versus daily tasks showed that some position grades were too low for the required tasks; (ii) the nature of positions and related tasks undertaken varied in technical content and in the extent of manual entry and processing (see observation 5); and (iii) where the learning curve was long, bringing short-term resources to the team was not efficient. This also impacted motivation, as SCOS has many positions at the same medium-low grades, making career progression opportunities unclear.

Rotation, people dependencies and succession

48. All 13 professional positions were rotational (except for one recent position advertised). SCOS acknowledges that some level of rotation benefits the Shipping Service, especially between headquarters and key port operations and corridors. However, given the level of technical expertise needed at managerial level, recent reassignment exercises have in practice led to staff being kept in their posts. For instance, some professional staff have been reassigned three to five times to the same positions (some have been in their positions for more than seven years). An unsigned draft decision memo in 2018 escalated to SCO the underlying issue with the rotational nature of positions in the Shipping Service, but this had yet to be fully addressed.

49. The practice of reconfirming staff in their positions points to issues in succession planning and key people dependencies in relation to the long-standing members of SCOS, particularly at the management and senior GS staff levels. Shipping institutional knowledge is unique, involving technical expertise, solid private sector and market knowledge, and time and effort to build relationships with service providers.

Difficulties in filling vacancies

50. In the audit period, 32 vacancies were open for an average of nine months. SCOS has to wait for the reassignment cycle to be completed (taking up to six months), as WFP first advertises vacancies internally before external recruitment takes place, despite the lack of internal skills and expertise in shipping. Once SCOS has reached out externally and identified suitable candidates, the average time taken to complete a

recruitment process was between four and six months. Furthermore, vacancies can stay open for a long time, as external candidates are often unwilling to accept a rotational position after years in the private sector.

Underlying cause(s): Lack of funding leading to short-term contracts and inconsistent grading of positions. TORs of GS positions generic by nature, not adequately reflecting the technical and complex nature of the positions. Insufficient analysis of the mix of rotational and non-rotational posts to effectively staff SCOS. Absence of a clear SCOS career path and long-term perspective for SCOS staff, and key people dependency and succession risk mitigation measures not implemented. HR process decisions not adjusted so that vacancies can be advertised both internally and externally when expert skills are not present internally.

Agreed Actions [High priority]

SCOS will:

- a) As part of its people strategy:
 - (i) With the support of SCO and HR, assess the mix of rotational and non-rotational positions required to effectively support its centralized expert function while ensuring the right movement between key field operations and headquarters.
 - (ii) Assess and regularize some of the GS positions from short-term to fixed-term in view of the workload and long-term needs for the positions.
 - (iii) Assess the span of control for the head of FCU position and align the grading of both managerial and GS positions, based on work performed and technical requirements.
- b) Revisit the TORs for GS positions in line with their technical requirements, clarify the nature of the technical and manual work undertaken, and ensure TORs reflect the work done on which performance is evaluated.
- c) In line with overall SC workforce planning (which includes establishment of an expert Shipping Service), define and clarify clear career paths for Shipping experts and roles.
- d) Develop a succession plan for the Shipping Service and risk mitigation measures to address its key people dependency risks.
- e) In consultation with HR, expedite recruitment for its positions by advertising professional vacancies both internally and externally.

Timeline for implementation

31 December 2022

C: Do WFP's shipping processes and procedures enable complete, timely and cost-effective delivery?

51. SCOS uses liner and charter shipment modalities and operates through intermediary agents such as FAs and brokers. The audit performed tests and reviews of key processes and decisions undertaken by SCOS for contracting and managing service providers, including brokers and FAs, charter vessels and liner cargoes, and of SCOS's preparedness and response for supporting emergencies and service provision. The audit also carried out an independent survey of downstream partners (major COs, RBs, corridors and port operations).

52. SCOS, with its network, technical skills and expertise, played a major role in servicing COs, in key port operations and in expanding WFP's humanitarian service provision during the COVID-19 emergency response. The audit received positive feedback from stakeholders on their relationship and coordination with SCOS and on its management of in-kind contributions received from USAID. The survey confirmed SCOS's excellent reputation and professional expertise, and the importance of the services it delivers, with high levels of satisfaction expressed by COs, RBs and port operations.

Observation 4 : Management of service providers and operational tools

Informal process for selecting, appointing and evaluating brokers and FAs

53. For charter shipments, SCOS relies on a panel of brokers (seven brokers in the past ten years). The Shipping Manual requires an overall review of the broker panel's effectiveness, which SCOS has agreed to carry out every 1.5 years. However, the last broker panel review dated from 2018, when three new brokers were appointed through an informal process undertaken on an ad hoc basis that was not driven by performance or market needs.

54. The Shipping Manual also requires regular performance evaluations for both FAs and brokers. However, in practice evaluations – especially for brokers – were not performed consistently. A team from the SCOS liner unit evaluated the performance of FAs, while broker evaluations were carried out by a single member of staff for each voyage, without consolidation and visibility on overall performance over the year. Criteria for linking an individual voyage's performance with annual brokers' performance were not defined. A 2018 internal review of the broker selection and evaluation process highlighted the absence of evidence and criteria supporting the process (i.e. market research, business proposals from brokers, evaluation panel meetings and interviews).

55. Appointment and performance evaluation protocols for these key service providers were not detailed in the Shipping Manual or supplementary standard operating procedures (SOPs); because the informal processes were not always documented, the audit was not able to assess or validate how these were conducted.

Alignment of ethical principles and shared values

56. Accountability, transparency and adherence to WFP's recently established values and ethical standards, including on conflicts of interest, were not embedded in the appointment and performance review processes for private sector FAs/brokers.

Operational tools supporting the contracting process

57. While the Shipping Manual covered procedures for contracting and for the transportation of food procured by WFP, it did not contain detailed guidelines on actual practices for the management of in-kind contributions and donor compliance requirements. These were assessed through walkthroughs with the SCOS team. The manual was also silent on the point at which the title/ownership of commodities transfers

from supplier or donor agency to WFP (under Free On-Board incoterms¹⁶) and on SCO's roles and responsibilities for inspection and quality assurance.

58. The absence of SOPs for key processes resulted in key people dependency risks, as there was reliance on a few experienced members of staff who were familiar with the informal processes. This has implications for institutional knowledge and individual accountability, but also requires time and effort in training staff on these informal processes (see observation 3).

Underlying cause(s): Planned semi-annual review of the Shipping Manual and processes as part of the APP not undertaken because of competing priorities resulting in the absence of SOPs for key processes. Insufficient consultations with the Ethics Office and shared value principles not yet considered in the broker/FA processes. Corporate contracting tools not adapted to the technical specificities of the Shipping Service. Absence of a comprehensive centralized tracking system or repository leading to multiple manual workarounds and various archiving methods.

Agreed Actions [Medium priority]

SCOS will:

- a) Revise the Shipping Manual and establish supplementary SOPs (detailing such aspects as criteria, frequency, roles and responsibilities including management oversight, etc.) for processes where gaps have been identified including:
 - (i) broker panel selection and review; and
 - (ii) appointment and evaluation of FAs and brokers.
- b) In regard to the US in-kind process:
 - (i) Update the Shipping Manual sections with any changes over time; and
 - (ii) Co-deliver training in this area, as well as raising awareness and producing training/guidance materials (particularly for COs), together with the Washington office and other key business areas, such as Budget & Programming and Finance.
- c) In consultation with the Ethics Office, develop criteria to embed WFP's values, ethical standards (including conflicts of interest) and shared values in the broker and FA processes.
- d) In view of rapidly changing markets, assess the existing contracting modalities and the involvement/role of brokers/FAs, at least on an annual basis.

Timeline for implementation

30 June 2022

¹⁶ Defined in WFP Shipping Manual: Free on Board (FOB) Incoterm means that the seller of the goods must prepare the consignment ready for export and load cargo onto the specified ship.

D: Do existing information technology systems and tools effectively and efficiently support shipping processes?

59. The audit reviewed the existing ocean transport information technology ecosystem and its adequacy in supporting end-to-end shipping processes. The extent of use of existing IT systems and the development of IT applications and tools were assessed. The audit also reviewed data quality and reporting processes.

Observation 5: Technology, processes and transactions

Fragmented shipping IT ecosystem

60. The shipping IT ecosystem comprises three systems (WINGS, WBSCM and ULISaaS), two databases (SCIPS and ITS) and two offline tracking tools (Excel tracking for liners and charters). These systems and tools are not integrated and/or interfaced. Other than a plan to further develop the ULISaaS platform, SCOS did not have its own digital strategy, as all technology solutions are coordinated centrally within SCO to ensure process alignment and system integration given the links and dependencies between the different supply chain functions.

61. Audit mapping of the systems used by SCOS highlighted a significant number of offline processes, a high level of manual data entry, and to some extent a duplication of tasks (for example manually entry of the same information into both WINGS-LESS and ULISaaS), creating redundancies and impacting operational efficiency.

62. There was no system to support reporting on shipping-specific data. A review of 25 reports prepared by SCOS indicated a lack of automation; over 15 reports were manually maintained, with only a few partially supported by existing systems. This manual and intensive process will be partly alleviated once WINGS shipping data is fully checked, validated and operationalized into WFP's data hub (DOTS). SCOS conducts regular monitoring and reporting of shipping data because of the high level of manual inputs.

63. Several initiatives had been launched for either optimization or changes within Supply Chain (for example LESS and SCIPS) and beyond (for example Integrated Roadmap (IRM), ITS for Finance). However, these initiatives had not been preceded by in-depth business process reviews, but rather focused on patch solutions to meet the immediate and medium-term needs of each business area. This had resulted in an increased transactional and manual workload for SCOS.

64. Transaction levels have steadily increased because of a combination of: (i) corporate system changes, particularly LESS and the IRM¹⁷, as well as process challenges; (ii) an increase in tonnage, numbers of shipments (for example NFI/liners) and numbers of containers; (iii) business factors such as import/customs requirements for: (a) inspections/certificates, which are often difficult and time-consuming to obtain/negotiate, especially for US in-kind commodities; or (b) the maximum number of containers that can be included on a single bill of lading, thus the need to issue several bills of lading for the same shipment; (iv) increased agility and flexibility required for emergency response, thus increased level of changes (diversions, shipment splits, etc.); and (v) reverse logistics required for rejections and recalls thus requiring re-exports. The largest transactional jumps took place just after the LESS and IRM implementations and in

¹⁷ WFP/EB.2/2`018/5-A/1 – WFP Executive Board November 2018 - Update on the Integrated Road Map.

2019 when tonnage peaked to 3.2 million mt¹⁸. No subsequent assessment was conducted to adapt to these changes to processes and transaction volumes.

Digital ecosystem for contracting and archiving

65. SCOS's contracting process is unique in WFP, with no public solicitation, no IT system support and no committee or panel to evaluate offers received. Most of the contracting is carried out manually and by email. There was no centralized tool or repository to monitor and track the information and results of SCOS's contracting process. A digital platform for solicitation and archiving would assist in ensuring optimal coordination. SCOS has invested in and operationalized its digital solution for operations ULISaaS¹⁹ but has not yet considered digitizing these parts of its end-to-end process.

Underlying cause(s): High level of demand for resources within SCO, leading to multiple patches and manual ad hoc solutions. Absence of detailed and in-depth review of SCOS IT needs over previous years. Shipping processes that have moved from being straightforward to managing many deviations and changing demands. Overall increase in transactional workload linked to the current systems and corporate initiatives. Budget and staffing constraints leading to limited progress in ULISaaS developments. SCO's interdependencies on TEC or other units.

Agreed Actions [High priority]

1. SCO will:
 - a) Conduct an in-depth SCOS business process review to determine key SCOS manual processes and tasks that require streamlining and digitization upstream to improve efficiency, while considering the interdependencies and impact on other Supply Chain units.
 - b) Once the business process review is completed, and in coordination with TEC and/or other units involved, ensure appropriate IT solutions are adopted for optimizing the efficiency of SCOS and other units, upstream and downstream in the shipping process.
2. SCOS will:
 - a) Expedite the implementation of ULISaaS developments to address issues related to system support to the shipping-specific business (charter, service provision, NFI, and freight proposals) and the integration of WINGS and ULISaaS data.
 - b) Complete a feasibility study to digitize the archiving and solicitation processes and develop a detailed implementation plan once finalized.

¹⁸ The total number of annual transactions processed by SCOS FCU (including key offline actions) increased by 42 percent between 2017 to 2020 (from 93,565 to 132,528). SCOS's detailed workload analysis on more than 60 routine tasks/activities for the year 2020 showed that key operational and corporate system activities totalled circa 3,409 days a year while some (but not all) coordination, governance, reporting activities amounted to circa 991 days a year; this represents a total of 20 full time equivalent (FTE) staff. Notably, however, the calculations exclude most professional duties, all supervisory activities and nearly all pre-analysis, general processing and follow-up time required, inter alia with other units/COs: it is only after such pre-processing steps that the 132,528 actions/transactions cited can be taken in a corporate system (or other tool).

¹⁹ In the future the ULISaaS project also plans to capture additional shipping processes with the implementation of a charter's module and the digitization of liners' freight proposals (tendering process). The audit review of SCOS' IT business roadmap indicated that the ULISaaS project plans to capture key shipping processes. In addition, SCO's Traceability, Automation, and Data Enhancement (TRADE) project is planned to overcome manual data entry into the different systems (e.g. WINGS-LESS).

Timeline for implementation

1. 31 December 2022
2. 30 June 2022

Observation 6: Recording and reporting on downstream costs

66. Downstream data (from COs, corridors and port operations) associated with container detention and terminal storage costs in WINGS were not specifically and consistently recorded as such, making it difficult to actively monitor such costs. Despite several CSC recommendations to create service codes for these charges, TEC did not complete their review, validation and implementation of these. This prevented visibility on and the ability to holistically analyse charges resulting from delays or non-return of containers. The CSC recommendations were closed based on a 2015 internal memo sent out to COs, and technical requirements that were prepared by SCO units.

Underlying cause(s): Funding and budget constraints. SCO's interdependencies on TEC or other units to swiftly implement changes needed. Initiatives on system changes not finalized and followed through because of lack of coordination and insufficient staff handover. Insufficient guidance to COs and port operations on container detention and terminal storage (as no solution was available in WINGS to properly classify and detail such costs, and ULISeaS' operational container status reports were still under development)

Agreed Actions [Medium priority]

SCO will:

- a) Ensure that SCOS and the Supply Chain Logistics Services (SCOL), in coordination with TEC:
 - (i) Review and finalize the requirements for system changes for the proper coding of data related to container detention and terminal storage in WINGS by field and all offices.
 - (ii) Clarify the guidance on container detention and terminal storage at the downstream level for both COs and GCMF shipments, and provide support and training to field offices / all required staff to ensure the use of appropriate coding to capture and report on this critical information.
- b) Initiate reporting corporately on consolidated costs related to container detention and terminal storage, and ensure monitoring of these costs and quality assurance over the process (including establishment of KPIs to help COs and Supply Chain keeping such costs to a minimum and ideally avoid them wherever possible).

Timeline for implementation

30 June 2022

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.

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)	
3 Workforce structure and human resources processes	Human resources management	Business process risks	Human resources	SCOS	31 December 2022	
5 Technology, processes and transactions	ICT governance and strategic planning	Business model risks	Technology	SCO	31 December 2022	
				SCOS	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)	
1 Strategic risks and performance	Strategic management & objective setting	Business model risks	Service delivery	SCOS	31 December 2022	
2 Funding mechanisms and stability	Resources allocation & financing	Business model risks	Resource mobilization and Partnerships	SCO	31 December 2022	
4 Management of service providers and operational tools	Performance management	Partner and vendor risks	Performance management	SCOS	30 June 2022	
6 Recording and reporting on downstream costs	ICT governance and strategic planning	Business model risks	Technology	SCO	30 June 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.²⁰

²⁰ 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 universe²¹ 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 Policy²², and began preparations for the launch of a risk management system (a 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 introduced²³ by the Chief Risk Officer to define and launch risk matrices, identify thresholds and parameters, and establish escalation/de-escalation protocols across business processes.

²¹ 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.

²² 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 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 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

APP	Annual Performance Plan
BUSBE	Bottom Up Strategic Budget Exercise
CO	Country Office
CSC	Committee on the Supply Chain
ESSF	Environmental and Social Sustainability Framework
FA	Forwarding Agent
FCU	Freight Control and Reporting Unit
GCMF	WFP Global Commodity Management Facility
GS	General Service
HR	Human Resources
IRM	Integrated Roadmap
IT	Information Technology
ITS	Invoice Tracking System
LESS	Logistics Execution Support System
MCR	Management Cost Recovery
MT	Metric Tons
NFI	Non-Food Items
PSA	Programme Support and Administrative
RB/s	Regional Bureau/s
SCIPS	Supply Chain Information Price System
SCO	Supply Chain Operations Division
SCOS	Supply Chain Operations Shipping Services
SOP	Standard Operating Procedure
TEC	Technology Division
ULISaS	Uniform Logistics Information on Sea Shipments
USAID	United States Agency for International Development
WFP	World Food Programme
WBSCM	Web Based Supply Chain Management (USAID)
WINGS	WFP Information Network and Global Systems