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Internal Audit of WFP's Supply Chain Cash-Based Transfers, Retail and Markets Unit

Office of the Inspector General
Internal Audit Report AR/23/14



October 2023



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I. Executive summary

Introduction and context

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of the Supply Chain Cash-Based Transfers, Retail and Markets Unit's governance arrangements (including funding and systems), to assess whether they effectively support WFP's market-based interventions.
2. WFP is the largest agency delivering humanitarian cash. In 2022,¹ WFP transferred a record high USD 3.3 billion of purchasing power to 56 million beneficiaries in 72 countries, a significant increase from USD 10 million in 10 countries in 2009.² As WFP increases its cash-based assistance, it also increasingly supports the development of markets where beneficiaries buy their food and other essential items.
3. In areas where WFP implements food assistance or cash interventions, markets are usually weak and fragmented. Market-based interventions include WFP's cash and voucher assistance, or the development of local supply chains, markets and partner capacity to assist vulnerable populations and strengthen local markets.
4. The Supply Chain Cash-Based Transfers, Retail and Markets Unit was created in 2015 as WFP's supply chain unit to assist in defining WFP's supply chain roles and responsibilities related to the organization's cash-based transfer and voucher operations, and to standardize them throughout all WFP operations, while also providing support to country office field operations. Initially covering both procurement and supply chain logistics activities, the unit has specialized over the years and now fully supports markets and retail³ activities. The unit has developed market assessments and a retail onboarding and contracting system, as well as numerous guidance and manuals. In 2022, the unit successfully supported 10 country offices through oversight and support missions and trained about 230 WFP personnel.
5. As part of the audit, the audit team surveyed six regional bureaux and 40 country offices implementing market-based interventions at various levels of maturity. The audit covered the period from 1 January 2022 to 31 March 2023.
6. The audit did not include a review of the implementation and operational delivery of retail activities in the field and therefore makes no related statements or assumptions about its effectiveness or efficiency.

Audit conclusions and key results

7. Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **some improvement needed**. The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. 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.
8. The audit acknowledges the strengths of the Supply Chain Cash-Based Transfers, Retail and Markets Unit in market assessments and support to country offices. Stakeholders at headquarters and in the field confirmed the professionalism of the unit's staff and their technical expertise.

¹ Data source: WFP internal CashBoard (taking information from multiple WFP systems including WFP's Information Network and Global Systems - WINGS).

² WFP cash-based transfers data in corporate systems date back to 2009.

³ *Retailer*: A person or business that sells goods and/or services to the public for use or consumption. The term "retailer" represents any actor in a market that can be contracted by WFP for the redemption of cash-based transfer vouchers. (Data source: WFP cash-based transfers glossary).



9. The audit identified eight medium-priority observations, in the areas of governance, funding and systems. Sponsorship by the supply chain operations division in addressing these will help clarify the importance of supply chain in retail and markets and strengthen the positioning of the Supply Chain Cash-Based Transfers, Retail and Markets Unit within the organisation.

Strategy, positioning, and communication

10. The Supply Chain Cash-Based Transfers, Retail and Markets Unit was established seven years ago.

11. The unit's strategy needs to formally encompass elements of risk, performance indicators and an implementation plan. Further, its roles and responsibilities still need to be communicated, at both headquarters and field levels and its market and retail oversight framework should be integrated with the regional bureaux' second-line oversight role.

12. A communication, change management and knowledge sharing plan, formally endorsed by supply chain management, would contribute to advancing the level of visibility and maturity of the retail activities.

Funding sustainability

13. The unit has operated with a deficit since 2020 and lacks a stable funding structure to serve its centralized expert function. This should be addressed by supply chain management to support the required improvements to the strategy, workplan and systems.

Systems and data

14. The retail information technology ecosystem comprises multiple systems, databases and offline tracking tools that are not integrated and/or interfaced. This has resulted in patched solutions for sub-optimized processes and transactional and manual workload, which affect both operational efficiency and impact oversight and monitoring of retail activities, as well as the quality of data used for reporting on retail and markets.

Actions agreed

15. The audit report contains eight medium-priority observations. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates.

THANK YOU!

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



II. Context and scope

Overview of WFP cash-based transfer activities

17. Functioning markets are essential to achieving zero hunger. In some areas where WFP implements food assistance or cash interventions, markets are usually weak and fragmented. In this regard, one of the strategic objectives of WFP’s Supply Chain Division (SCO) is to help create the sustainable local supply chains and markets required to achieve zero hunger by removing market inefficiencies to improve access, price, availability, quality and service.

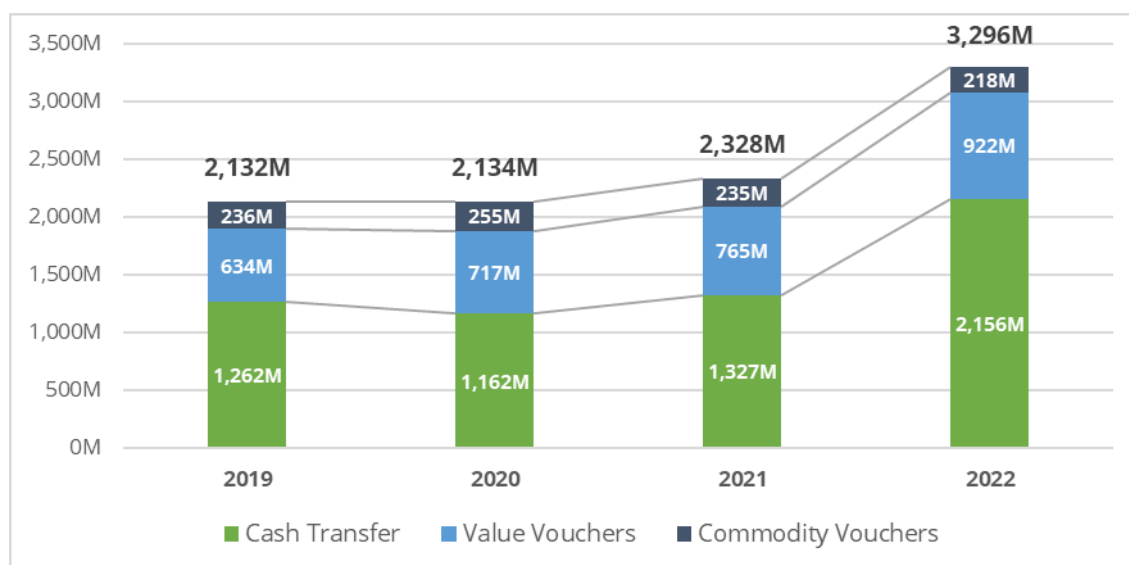
18. Working with market actors and implementing market development and systems-strengthening activities provides an opportunity for WFP to contribute to the development of local economies, while achieving its primary objective of helping vulnerable populations meet their essential needs. WFP engages with retailers and market actors to guarantee better and affordable prices, safe food, choice and proper retail services for beneficiaries and communities.

19. WFP cash-based and voucher transfer modalities⁴ include:

- *Commodity vouchers*: a paper or electronic entitlement expressed in fixed quantities of specified goods. It also encompasses the hot meals assistance as well as some Nutrition and Home-Grown School Meals Programmes. It is a distinct transfer modality and is not cash-based or in-kind.
- *Cash-based transfers* (CBT): transfer modalities through which beneficiaries are provided with purchasing power in the form of cash and/or value vouchers.

20. WFP’s use of CBT continues to grow (see **Figure 1** below). In 2022,⁵ WFP transferred USD 3.3 billion to 56 million beneficiaries in 72 countries, an increase of 44 percent in dollar value from 2021 (USD 2.3 billion to 42 million beneficiaries in 69 countries). Of the 2022 value, cash transfers through retailers using value and/or commodity vouchers represented USD 1.1 billion (33 percent of the total cash transfer amount to beneficiaries).

Figure 1: WFP assistance through cash and voucher modalities between 2019 and 2022⁶



⁴ Data source: WFP management plan (2023-2025)

⁵ Data source: WINGS

⁶ Data source: WINGS



21. The top five country offices with value and commodity voucher modalities in 2022 were: Somalia, Afghanistan, Bangladesh, Nigeria and Lebanon. These country offices reported a total CBT value of USD 1.3 billion, of which value/commodity vouchers represented 47 percent (USD 0.6 billion).

22. As of May 2023, the internal CBT retailer portal showed around 4,700 active contracted retailers across 75 countries. Retailer data are collected from various systems and tools. The Supply Chain CBT, Retail and Markets Unit (SCOLR) is making efforts to clean the data and remove duplicates.

WFP retail and market-based interventions

23. WFP has 60 years of experience in delivering food to the most remote locations all over the world. In 2022,⁷ WFP delivered 5 million metric tons of food to 71 countries, reaching 128 million beneficiaries through food assistance. In some cases, WFP works with selected retailers, where beneficiaries can redeem their vouchers against selected foods. In others, beneficiaries receive unrestricted cash, allowing recipients to decide how, where and when to purchase what they need for their families.

24. WFP undertakes a variety of sectorial assessments (markets, finance and technology) to choose the appropriate modality – cash, vouchers or e-cards – to meet programmatic objectives in the local context. This involves studying local retail and market conditions, supply chain networks, prices and potential bottlenecks or inefficiencies.

25. WFP builds the capacity of governments, local market actors, selected wholesalers and retailers to avoid potential supply breaks and to negotiate better prices from suppliers and transporters. The work involves the entire local supply chain, with the broader goal to improve retail management in local markets and ensure that beneficiaries have access to good quality food, consistently in stock and available at fair prices. WFP also supports retailers to better manage food safety and quality, and improve their inventories, procurement transportation and storage practices. In addition, WFP provides training for retailers on various retail topics such as negotiation, assortment planning, demand forecasting and customer service.

26. WFP works towards supporting markets, with the increase of unrestricted cash modality and the linkage to financial service providers, to expand the demand for such services and move to more financial inclusion; financial service providers often ultimately pay retailers once vouchers are redeemed by beneficiaries. WFP is also expanding hot meal and catering types of services, which have become increasingly important during emergencies and for school feeding activities. Lastly, WFP promotes dietary diversity and nutritious diets to achieve nutritional objectives, through the selection of varied retailers that offer different products.

Supply Chain CBT, Markets and Retail Unit roles and responsibilities

27. SCOLR was set up in 2015 as a specialized supply chain logistic unit to work on defining WFP's supply chain roles and responsibilities in cash and voucher-based transfers, being the coordination unit for supply chain and interface for CBT, and standardizing these roles throughout WFP operations.

28. SCOLR aims to ensure that WFP operations systematically consider supply chain and market risks in programme design and that WFP country office supply chain staff use local market intelligence in their operational design and implementation. SCOLR supports country offices in pursuing market development activities that address market inefficiencies and enable the transition to cash assistance.

29. SCOLR is instrumental in supporting the work on market intelligence at the field level. Jointly with the Research, Assessment and Monitoring Division, SCOLR developed the market functionality index, a quantitative tool designed to benchmark marketplace functionalities. Further, SCOLR developed the market system analysis guidance, which is a tool used to obtain market insight to support programmatic decisions and implementation of market activities that will improve the value of cash-based assistance for beneficiaries.

⁷ Data source: WFP's data hub DOTS Platform



30. SCOLR also provides normative guidance, corporate tools, digital systems, training and business support to: (i) improve and update the corporate methodology for market assessments to support country office supply chains; (ii) raise awareness of supply chain roles and responsibilities in cash and commodity vouchers, including market transformation and development; (iii) ensure compliance with corporate business processes related to CBT and commodity vouchers; and (iv) define requirements and proactively engage with commercial and non-commercial providers of retail and catering services in regular and emergency operations.

31. As of March 2023, the unit had 13 professional level staff members, five consultants, two general service staff members and two interns. The unit is also supported by focal points across the six regional bureaux.

32. Initially funded by the Cash-based Transfers Division, SCOLR moved under supply chain funding in 2021 and has since operated with a funding and staffing deficit (see more details in paragraph 75). The unit operated with a deficit of USD 0.5 million in 2022, which had reduced to USD 12,000 in 2023. The allocated budget for 2023 amounts to USD 2.7 million, reflecting an 18 percent increase from 2022.

Objective and scope of the audit

33. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal control processes to assess whether SCOLR's governance arrangements adequately support WFP's market-based interventions. Such audits contribute to the Office of Internal Audit's annual and overall assurance statement to the Executive Director on governance, risk management and internal control processes.

34. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

35. The audit scope covered the period from 1 January 2022 to 31 March 2023. Where necessary, transactions and events pertaining to other periods were reviewed. The audit fieldwork was conducted from 29 May to 19 June 2023.

36. The audit team conducted structured interviews with relevant stakeholders at global headquarters and regional bureau levels, and documentation reviews to evaluate the overall governance of SCOLR. The team surveyed 40 country offices and six regional bureaux.



III. Results of the audit

Overview of conclusions

37. Table 1 outlines the extent to which audit work resulted in observations and agreed actions. These are classified according to the audit areas established for the audit and are rated as medium or high priority; any 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

Line of enquiry: Do SCOLR governance arrangements adequately support WFP's market-based interventions?	
Governance	
<i>1. Roles, responsibilities and structure</i>	<i>Medium</i>
<i>2. Strategy, performance and monitoring</i>	<i>Medium</i>
<i>3. Risk management and oversight</i>	<i>Medium</i>
<i>4. Coordination and service delivery</i>	<i>Medium</i>
<i>5. Communication and change management</i>	<i>Medium</i>
Funding and staffing	
<i>6. Funding sustainability</i>	<i>Medium</i>
Systems and data	
<i>7. System development and governance</i>	<i>Medium</i>
<i>8. Reporting and data quality</i>	<i>Medium</i>



Governance

38. The audit performed tests and reviews of SCOLR's: (i) governance arrangements, internal and external decision making and succession planning; (ii) strategy and adequacy of its objectives and workplan to ensure relevance and alignment with WFP's context and mandate; and (iii) risk management and oversight practices, including service delivery and communication.

39. The audit also considered whether and to what extent SCOLR's positioning within the Supply Chain Logistics Branch (SCOL) effectively supported its work and mandate. The audit carried out 12 interviews at division level in headquarters, and a survey was sent to all regional bureaux and 40 country offices implementing market-based activities at various degrees.

Observation 1: Roles, responsibilities, and structure

Positioning within the supply chain

40. SCOLR is a unit within WFP established in 2015 to support the work of supply chain in cash-based transfers and the initial development of WFP's work with retailers. Initially, staff within the unit were covering both procurement and retail activities.

41. At the time of the audit fieldwork, SCOLR and the Supply Chain Goods and Services Procurement Unit (SCOPG) were clarifying their roles and responsibilities and had drafted a memo summarizing the key points. The memo, awaiting management's endorsement at the time of finalizing this report, outlines the following division of roles:

- SCOPG: carries out any procurement activity, tendering or contracting of suppliers;
- SCOLR: with extended supply chain and logistics teams in regional bureaux, remains responsible for:
 - providing normative guidelines and standard tools to support country offices to document local markets and supply chains intelligence, to identify risks and feasibility of modality implementation and propose market development activities to mitigate risks; and
 - supporting the engagement with markets and supply chain stakeholders, including wholesalers, retailers and caterers to enable CBT, value and commodity voucher operations, while assisting in building market linkages and sustainable markets.

42. From stakeholders' interviews and surveys, some staff in country offices and regional bureaux stated that they were unclear about the roles between SCOPG and SCOLR and which one to contact.

43. SCOLR also used to present key numbers on retailer working with WFP in some forums, which may have added to the confusion of roles. In addition, the retailer contracting section in the retail handbook did not stipulate which unit is in charge of contracting.

44. Once the memo on roles and responsibilities is approved, both units will update their respective manuals.

New commodity voucher model

45. Previously under the Cash-Based Transfers Division, the commodity voucher management was moved to SCOLR in 2021 and formalised in 2022 through the delegation of authority for commodity vouchers, given to the Director of Supply Chain.



46. SCOLR is engaged in a long-term, cross-functional project to re-design the framework and operating model for commodity vouchers.⁸ By the end of 2024, an executive director's circular is planned to be issued outlining the commodity voucher modality's key principles and operating model.

47. In the meantime, an executive director's circular was approved in April 2022 to delineate the delegation of authority for contracting transfer agents and approving purchase orders for the use of commodity vouchers in WFP operations. While previously grouped as part of CBT, commodity vouchers limit beneficiary choice and come with additional risks, which make them a distinct modality, neither CBT nor in-kind, with different needs in terms of delegated authority given to the director of supply chain

48. Notwithstanding the above, the communication around the handover of commodity voucher management from the CBT Division to SCOLR has been very limited, which could impact the outcome of the project or lead to confusion among stakeholders.

Reporting line for regional focal points

49. Supply Chain has established focal points in each regional bureau to support country offices, facilitate training on corporate tools for retail and markets, ensure CBT processes are adhered to, and identify market development opportunities in country offices. The focal points also support market assessments, analyse data and produce dashboards on their analytical results. Regional bureaux provide oversight of operations.

50. The regional Supply Chain CBT focal points report either to the regional head of supply chain or the regional head of logistics, except:

- the regional Supply Chain CBT focal points for the Regional Bureau for Western Africa who report to the head of procurement – which poses a conflict of interest; and
- the focal point for the Regional Bureau for Latin America and The Caribbean who was under recruitment (at the time of audit fieldwork) but with no reporting line was specified in the vacancy.

Underlying causes: lack of visibility, sponsorship and communication for the unit within the supply chain operations division and across WFP, resulting in unclear roles and processes (including for decision-making) between SCOPG and SCOLR.

Agreed Actions [Medium priority]

- 1) Supply Chain Operations Division management will:
 - (i) Emphasize the role of the Supply Chain Cash-Based Transfers, Retail and Markets Unit in managing the commodity voucher in the various forums and meeting;
 - (ii) Formalize and endorse a clear delineation of roles and responsibilities between the Supply Chain Goods and Services Procurement Unit and the Supply Chain Cash-Based Transfers, Retail and Markets Unit; and
 - (iii) Clarify reporting lines (including for the various retail focal points in each regional bureau).
- 2) The Supply Chain Cash-Based Transfers, Retail and Markets Unit and the Supply Chain Goods and Services Procurement Unit will update the logistics services manual, with the relevant markets and retail processes and tools, and the goods and services procurement manual accordingly, to ensure retailer contracting roles and responsibilities are clearly reflected.

Timeline for implementation

- 1) 31 December 2023
- 2) 1 April 2024

⁸ [Internal audit of WFP's operations in Ghana AR/21/10](#): CBT market-based interventions for nutrition activities with specialized nutritious foods and high-risk commodities (corporate issue).



Observation 2: Strategy, performance measurement and monitoring

SCOLR Strategy

51. SCOLR developed a five-year strategy⁹ in 2022, which is comprehensive and clearly outlines the unit's vision and objectives. SCOLR did not develop a risk analysis (see more details in paragraph 56) or implementation and monitoring plans, nor were performance indicators (KPIs) to measure achievements over time put in place.

Performance measurement and monitoring

52. As part of 2022 and 2023 supply chain annual performance plans, SCOLR established KPIs for its various activities. In multiple instances, the targets for the KPIs were ambitious and difficult to achieve within a year, for instance:

- Having all country offices use the Retail Onboarding and Contracting (ROC) and Retailer Performance Monitoring and Evaluation (RPME) systems by the end of 2022;
- Responding to 100 percent support requests by country offices; and
- Having less than one internal or external audit recommendation issued related to guidance.

53. SCOLR developed a more realistic approach for some KPIs in 2023. For example, the target for country offices using the retail systems was adjusted from 100 to 70 percent in 2023, and the target for country offices having up-to-date market functionality indexes was adjusted from 100 to 75 percent.

54. For other KPIs, the targets remained difficult to achieve within a year; for example: ensuring 100 percent support to country office requests and having all country offices in three regional bureaux with an updated mapping of key stakeholders. Measuring these targets is also challenging as SCOLR does not track all support requests received from country offices, as elaborated in [observation 4](#).

Underlying causes: Insufficient expertise and skills in strategy and KPI formulation; and systems limitations and resources preventing tracking and measurement of some KPIs.

Agreed Actions [Medium priority]

The Supply Chain Cash-Based Transfers, Retail and Markets Unit will, with the support of Supply Chain Operations Division management, revise and develop key performance indicators that are specific, measurable, attainable, relevant and time-bound as part of its strategy implementation plan.

Timeline for implementation

1 April 2024

Observation 3: Risk management and management oversight

Risk management

55. SCOLR does not have a detailed and dedicated risk register as supply chain risks are captured under the global supply chain operation risk register. Only one risk related to the commodity vouchers corporate framework and guidance was included in the global risk register.

56. As highlighted above in [observation 2](#), SCOLR did not assess the risks that could prevent the unit from achieving its mission and objectives, including organizational, structural, programmatic, financial and/or staffing-related risks. The review of the various manuals (such as the markets and retail handbook, which will be included in the logistics services manual) disclosed that SCOLR had not developed markets and retail-

⁹ Retail and Markets Strategy 2022-2027



related risk analysis and mitigation measures. These should be developed not only for SCOLR to be more adaptable to unforeseen circumstances, but also to be able to adjust related staffing and funding requirements.

57. Country offices and regional bureaux logged multiple markets and retail-related risks as part of their corporate risk register, including fraud risks. Currently, SCOLR does not consolidate and review these risks, although this could inform the unit's risk-based strategy and corresponding mitigation plans. In addition, the unit would also benefit from coordinating with the Risk Management Division to build its risk profile and enhance knowledge of fraud risks linked to retail activities.

Management oversight checklist and dashboard

58. Together with regional bureaux focal points, SCOLR developed a management oversight framework to assess country office compliance with markets and retail guidance, rules and policies. The framework can be used by headquarters, regional bureaux or country offices as a self-assessment tool. It includes a questionnaire covering 41 key retail business process elements, and country offices are scored on each element.

59. The outcome is documented in two monitoring dashboards prepared manually, which present the results of the review and the scoring for each country office. The testing of these dashboards highlighted that they were incomplete and contained discrepancies, which SCOLR has started to address.

60. Regional bureaux are responsible for conducting country office oversight missions and use various management oversight or support mission checklists. In several cases, markets and retail oversight is not conducted as a stand-alone mission but as part of CBT cross-functional or supply chain oversight missions. Therefore, the specific markets and retail oversight framework checklist is not systematically used and consequently, results are not always reported in SCOLR dashboards.

Underlying causes: Competing priorities in developing detailed risk assessments and risk registers; multiple oversight checklists used in regional bureaux; and incomplete data entry into oversight dashboards.

Agreed Actions [Medium priority]

- 1) The Supply Chain Cash-Based Transfers, Retail and Markets Unit, in consultation with the Risk Management Division, will document its risk management approach. This will include both an overhaul of the unit's risk register, and a consolidation of the risks related to markets and retail developed by the various regional bureau and country offices.
- 2) The Supply Chain Cash-Based Transfers, Retail and Markets Unit will streamline and reinforce the use of the markets and retail oversight checklist in regional bureaux and ensure that oversight dashboards are accurate and complete.

Timeline for implementation

- 1) 1 July 2024
- 2) 1 April 2024

Observation 4: Coordination and service delivery

Support missions

61. The SCOLR team conducted support missions in 20 country offices in 2022 and 2023, including country offices with the highest amounts of commodity vouchers and value vouchers distributed (Somalia, Afghanistan and Bangladesh). These missions ranged from two days to four months in some cases.

62. SCOLR does not track the support and training requests received from country offices. The requests are mainly received via email without being logged or traced. Therefore, the unit is unable to assess the timeliness and efficiency of its response to support requests from country offices.



63. In its 2023 annual performance plan, SCOLR had a target to cover 100 percent of the support requests for missions and TDYs received from country offices, as highlighted in [observation 2](#), with priority given to emergency operations.

64. The unit did not establish any risk-based criteria to inform its decisions regarding country office support. Without such criteria, it becomes challenging for the unit to assess and prioritize support requests, especially when the volume of requests increases.

Training

65. During 2022 and 2023, SCOLR delivered more than 70 training sessions in person and virtually, covering multiple markets and retail-related topics. SCOLR does not systematically track country office or regional bureau requests for training, actual training delivered and number of attendees. As a result, the unit could not provide accurate numbers or information regarding its training activities, which negatively affects its ability to assess the effectiveness of training activities and their visibility.

Underlying causes: Absence of tools and procedures to consistently log requests from the field; and absence of criteria and consistent process for prioritizing support missions.

Agreed Actions [Medium priority]

The Supply Chain Cash-Based Transfers, Retail and Markets Unit will:

- (i) in consultation with regional bureaux, establish criteria for risk-informed decisions on which countries to prioritize for support and training; and
- (ii) track support and training requests (by type, date received, timeliness of responses, attendees, etc.), to measure its efficiency in handling and tracking such requests.

Timeline for implementation

1 April 2024

Observation 5: Communication and change management

Visibility of SCOLR

66. As previously mentioned, the review of available internal documentation¹⁰ highlights insufficient internal communication from SCOLR on its mandate, evolving roles and responsibilities given WFP's move towards more unrestricted cash, and the unit's key achievements. For example, the latest markets and retail mission featured on WFP's intranet was from July 2022.

67. This was confirmed by the country offices surveyed during the audit: 33 percent of personnel in the field had limited or no awareness of the work performed by SCOLR (i.e. mandate, latest guidance issued, roles and responsibilities etc.); and 23 percent of personnel at country office level were also unclear about who to contact for support.

68. SCOLR developed a communication plan in 2022, which could not be implemented due to staffing constraints and the absence of the supply chain communication focal point. SCOLR has not yet developed a communication plan for 2023 due to competing priorities.

69. Interviews with supply chain management confirmed the willingness to establish SCOLR as the organization's focal point for retail and markets, even more so with the shift in WFP's focus to unrestricted cash. Supply chain management acknowledged that a shift in mindset is key to achieving better visibility of

¹⁰ wfp.go internal WFP webpage, archives on achievements or retail missions, latest updates on guidance/manual



SCOLR's work and focus. While SCOLR has direct access to supply chain management, the unit would benefit from clearer and more robust communication at the supply chain management level.

Lesson sharing

70. The SCOLR team documents missions and temporary duty assignments in detailed reports which include the work carried out, findings and any other key observations. SCOLR does not have a process for consolidating key lessons learned from different missions and temporary duty assignments completed by the team. Currently, accessing insights from these missions requires individually reviewing multiple reports and retrieving relevant information from each report.

71. This limits the effective sharing of valuable information gained across multiple missions and temporary assignments, especially with the risk of dependency on key people within the unit. Key findings and observations that could significantly contribute to the unit's plans, strategies and subsequent missions might be inadvertently overlooked.

Underlying causes: Insufficient skills for developing a change and communication plan; and competing priorities limiting the focus on consolidating and sharing lessons learned.

Agreed Actions [Medium priority]

- 1) The Supply Chain Cash-Based Transfers, Retail and Markets Unit will, with the support and endorsement of the Supply Chain Division, develop and implement a communications plan connected to the overarching divisional and departmental plan.
- 2) The Supply Chain Cash-Based Transfers, Retail and Markets Unit will establish a process and tool to compile mission and assignment results and consolidate lessons learned. This process should include mechanisms for capturing, organizing and sharing insights gained.

Timeline for implementation

- 1) 1 December 2024
- 2) 1 July 2024

Funding and staffing

72. The audit reviewed and analysed key processes and decisions related to SCORL's funding model and financial management, including: (i) funding sources and their movements from 2021 to 2024; (ii) funding trend and sustainability; and (iii) budget trend across the period. The 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 team).

73. The audit also analysed the unit's organizational structure; the terms of reference for a sample of positions; and their alignment with areas of responsibility.

Observation 6: Funding sustainability

74. With the move from the cash-based transfers division to the supply chain division, SCOLR's budget decreased from USD 3.4 million in 2021 to USD 2.3 million in 2022. For the year 2023i, the budget has stabilized at USD 2.7 million. SCOLR's deficit decreased during the same period reaching its lowest value in 2023 (USD 12,000).

Table 2: SCOLR budget and funding sources for 2022–2023¹¹ (USD million)

	2022	2023
Budget requirements	2.25	2.65
Funding sources	1.71	2.64
Programme Support and Administrative budget	1.26	1.31
Secured Extra Budgetary	0.45	1.33
Deficit	(0.54)	(0.01)
<i>Total number of staff</i>	<i>11</i>	<i>13</i>

75. In 2023, the Programme Support and Administrative portion of the funding covered only 50 percent of SCOLR budget needs. The SCO directors allocated part of their centralized extra-budgetary funds to cover the remaining 46 percent needed by SCOLR. Given the funding cuts expected in 2023 and beyond, and the multiple competing priorities in supply chain, the sustainability of this funding model comes into question.

Underlying causes: Funding of SCOLR transitioning from the Cash-based Transfers to the Supply Chain divisions in 2021, and insufficient assessment of sustainable funding sources for the unit.

Agreed Actions [Medium priority]

Supply Chain Operations management will explore more sustainable funding sources for the Supply Chain Cash-Based Transfers, Retail and Markets Unit, considering business needs, audit results, the workplan and required system upgrades (as described in [observation 7](#)).

Timeline for implementation

31 December 2023

Systems and data

76. The audit reviewed: (i) the existing retail information technology ecosystem and its adequacy in supporting end-to-end processes; (ii) the extent of use of existing systems and the development of applications and tools; and (iii) data quality and reporting processes.

77. The systems and tools that support retailers' engagement comprise the WFP Information Network and Global Systems (WINGS), the Retailer Onboarding and Contracting (ROC) platform, the Retailer Performance Monitoring and Evaluation (RPME) dashboard, and the retail Contract Management System (CMS). The unit also relies on data models and digital tools developed to support market intelligence. Additionally, some country offices use offline contract tracking spreadsheets.

Observation 7: System development and governance

ROC platform limitations

78. ROC is a digital platform developed by SCOLR to streamline the selection and contracting of retailers for CBT voucher interventions, and currently actively used by 36 country offices. Through its web and mobile interfaces, the ROC platform facilitates data collection and storage, including shop surveys, retailer assessment and ranking, generation of procurement contracts committee notes for the record and contract generation. The platform assigns specific tasks and responsibilities to different actors involved, expediting the process, and automating data processing and contract generation.

¹¹ Data source: WFP Supply Chain Budget and Compliance branch.



79. The ROC platform does not support key features of the retailer contract management process, such as:

- Contract extensions – which are processed manually in the contract management system with limited data quality checks; and
- Retailer performance evaluations – which are processed in separate tools creating redundancies and negatively impacting operational efficiency.

80. At the intervention set-up phase, the SCOLR system focal point assigns a logistic officer role to one member of staff at the country office concerned who then assumes responsibility for creating and assigning user roles. These roles include that for the country director, the procurement officer, the procurement contracts committee members and data collection team leader. The team leader is accountable for creating data collection team member (enumerator) accounts and maintaining their passwords, to ensure continuity of operations in the absence of established user support and automated process to reset user passwords. Additionally, team leaders are responsible for reviewing the assessments collected by the enumerators and submitting them to the logistics and procurement officers.

81. Further, basic system controls in ROC related to access control, segregation of duties and managing potential conflicts of interest are absent, creating issues like:

- There is no limitation on the number or category of user accounts created by the logistic officer at the country office level;
- The data collection team leader creates and maintains the enumerators' credentials and assumes responsibility for validating the information they collect; and
- The logistic officer could also serve as the data collection team leader, depending on the operational context.

82. In addition, SCOLR does not have a process in place to review the transactions carried out at the country office level to identify and review red-flag and suspicious transactions.

Scope of WFP's procurement business process review

83. The survey undertaken during this review showed various uses of retail-related systems at country office level; some countries use ROC and/or RPME, or none. Two reasons explain this gap: limited knowledge of the systems and technical limitations when using the tools.

84. A procurement business process review initiative was ongoing at the time of audit fieldwork, led by the Supply Chain Procurement Unit. It aimed at streamlining procurement processes, simplifying workflows and driving efficiency to allocate more time for strategic procurement activities. The initiative also emphasizes the importance of establishing an appropriate operating model, organizational structure and leveraging technology to digitize processes.

85. The scope of the business process review did not adequately specify the extent to which retail processes and tools will be analysed and reassessed end-to-end. This may potentially adversely impact SCOLR's long-term strategy as well as the unit's ongoing systems improvements and data cleansing efforts.

Underlying causes: Complex operational requirements and insufficient resources limiting the system control framework and oversight of system use; and unclear scope of the business process review initiative with respect to retail and markets process and systems.



Agreed Actions [Medium priority]

- 1) The Supply Chain Cash-Based Transfers, Retail and Markets Unit will, in consultation with relevant headquarter divisions, review the current system and process controls framework and introduce relevant controls to address the identified weaknesses.
- 2) The Supply Chain Procurement Branch will, in consultation with the Supply Chain Cash-Based Transfers, Retail and Markets Unit, define the scope and timeline for the review of the retail and markets ecosystem in the procurement business process review project documents.

Timeline for implementation

- 1) 31 December 2024
- 2) 1 July 2024

Observation 8: Reporting and data quality

86. To address some of the inefficiencies of using multiple and stand-alone systems, SCOLR developed the retail contract management platform. This platform operates in real-time and integrates data from WINGS, ROC, RPME and manual uploads from country offices. Its primary purpose is to enhance reporting and digital record-keeping for country offices.

87. The platform enables the quantification and reporting of key metrics, including the total number of contracted retailers at the country, regional and global level. It also provides geolocation mapping of shops and essential performance statistics of contracted retailers. Additionally, the platform facilitates contract management by alerting users to approaching contract expiry dates and by centralizing all retail data and important documents for easy access and traceability.

88. Analysis of the platform's information revealed that there is no up-to-date and precise data regarding contracted retailers. This is attributed to several factors, including the absence of a unified single database for retailer information; the use of diverse data sources involving manual inputs; and non-standardized manual data cleansing procedures.

89. The platform does not restrict editing access to specific staff members at designated locations. This increases the possibility of human error and mistakes, thereby compromises data integrity, especially given the limited data quality checks and reviews of transactions to ensure data accuracy.

Underlying causes: Absence of standardized processes to review the quality of data; and different operational contexts limiting the use of one-size-fits-all corporate solutions, leading to a multiplicity of databases.

Agreed Actions [Medium priority]

The Supply Chain Cash-Based Transfers, Retail and Markets Unit will:

- (i) Introduce and implement a systematic procedure for regular data quality review and cleansing that also includes the development of SOP.
- (ii) Streamline the usage of the contract management system by relevant country offices engaging with retailers for their voucher interventions and improve data accuracy.

Timeline for implementation

1 July 2024



Annex A – Agreed action plan

The following table shows 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.

#	Observation title	Owner	Priority	Timeline for implementation
1	Roles, responsibilities and structure	SCO management SCOLR and SCOPG	Medium	1) 31 December 2023 2) 1 April 2024
2	Strategy, performance and monitoring	SCOLR	Medium	1 April 2024
3	Risk management and oversight	SCOLR	Medium	1) 1 July 2024 2) 1 April 2024
4	Coordination and service delivery	SCOLR	Medium	1 April 2024
5	Communication and change management	SCOLR	Medium	1) 1 December 2024 2) 1 July 2024
6	Funding sustainability	SCO management	Medium	31 December 2023
7	System development and governance	SCOLR SCOP	Medium	1) 31 December 2024 2) 1 July 2024
8	Reporting and data quality	SCOLR	Medium	1 July 2024



Annex B – Definitions of audit terms: ratings & priority

1 Rating system

The internal audit services of UNDP, UNFPA, 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.
Some improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
Major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
Ineffective / unsatisfactory	The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area. Urgent management action is required to ensure that the identified risks are adequately mitigated.

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 a broad impact.¹²

¹² 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.



3 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 corporate system for the monitoring of the implementation of oversight recommendations. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

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

When using this option, the Office of Internal Audit continues to ensure that the office in charge of the supervision of the unit 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. Office of Internal Audit 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 Transfers
KPI	Key Performance Indicator
RMPE	Retailer Performance Monitoring and Evaluation
ROC	Retail Onboarding and Contracting
SCO	Supply Chain Operations Division
SCOL	Supply Chain Operations Logistics Branch
SCOLR	Supply Chain Cash-Based Transfers, Retail and Markets Unit
SCOP	Supply Chain Procurement Branch
SCOPG	Supply Chain Goods and Services Procurement Unit
WFP	World Food Programme
WINGS	WFP Information Network and Global Systems

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