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**Executive Board
Annual Session**

Rome, 4–8 June 2012

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration

E

Distribution: GENERAL
WFP/EB.A/2012/6-G/1
20 April 2012
ORIGINAL: ENGLISH

REPORT OF THE EXTERNAL AUDITOR ON EMERGENCY PREPAREDNESS FOR IT SUPPORT IN WFP

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

Director of External Audit: Ms R. Mathai tel.: 066513-3071

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

External Audit Report

The Comptroller and Auditor General of India (CAG) provides an external audit service to the World Food Programme (WFP).

CAG's audit aims to provide independent assurance to the World Food Programme and to add value to WFP's management by making constructive recommendations.

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***Performance Audit Report on
"Emergency Preparedness for IT support in WFP"***



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COMPTROLLER AND AUDITOR GENERAL OF INDIA

Executive summary

The overall goal of the Fast Information Technology and Telecommunications and Emergency Support Team (FITTEST) is to provide technical support to operations and safeguard resources by strengthening the computing, telecommunications and electrical power infrastructure.

As a team of specialists, FITTEST services all UN Humanitarian operations. A centralized team for deployment was meant to enhance not only the flexibility and speed but also the quality of services. FITTEST has an annual turnover of US\$12 million and holds stock of ICT equipment of about US\$2.5 million. It is supported by a team of twenty persons and annually by a fund of US\$250,000: ICT special account of IT Emergency Coordination Branch (ODIF), for initial response to emergencies.

We chose the FITTEST for a performance audit since it is the public face of WFP and posited to leverage the WFP strategy as an operational arm for ICT emergency solutions that are efficient, effective and transparent.

We found that the Team had undergone a number of operational changes. It is cognizant of minimising bureaucratic impediments and prescriptive criteria in its functioning. This makes the management intuitive in style and creates a risk of undetected non-compliance in a rapidly changing environment. FITTEST was yet to draw up a risk register that would identify the risks, the controls required to mitigate the risks and the residual risk. Absence of Key Performance Indicators (KPI) that cover timeliness and quality of services, deny the management of benchmarks to measure their performance in general or specifically to the missions. The FITTEST would benefit from specific, transparent and documented linkages between its work plan, the project plans and KPIs for its services.

WFP's directives allow the FITTEST to charge 7 *per cent* of the cost of goods and services (called Management Recovery Cost - MRC) to cover the indirect costs, thus ensuring full cost recovery. Instead of charging MRC, full cost recovery is achieved by loading on the per diem cost of consultants all costs, including establishment costs, regardless of their direct applicability to service the consultants. This creates an inherent risk of protracting deployment of consultants which may not be in consonance with client requirements of minimising costs and speedy hand-over. The absence of transparent costing of operations would also guise the inefficiencies, if any, in its operations. Since the IT system- WINGS II is not tailored to the full cost recovery model of the FITTEST, it manages its budget outside of the WINGS II system in standalone excel sheets. This creates the risk of inconsistency with the core accounting system in WINGS II.

Sale of ICT equipment is a major component of the turnover of the FITTEST. We found that transit items that may not bear direct relation to FITTEST's own missions but are procured on behalf of country offices, constitute more than 50 *per cent* of the sales. The costs incurred in routing such purchases through FITTEST may not ensure value for money; we could not draw assurance on the distinct value addition provided by FITTEST on these items.

FITTEST needs a cost viable model taking into account competitive client management, cost efficient services, well differentiated products and a streamlined emergency response management for both utilization of its own resources and delivery of standard services.

Summary of recommendations

Recommendation 1: Standard operating procedures should be approved at a level above the Chief FITTEST.

Recommendation 2: In compliance with the standard operating procedures (SOPs), six monthly strategic plans should be prepared and linked with the ODIF work plan with clear linkages to planning and tracking tools.

Recommendation 3: Measurable performance indicators and inclusion of self assessment by the consultant should support the performance evaluation of consultants.

Recommendation 4: Risk register for the FITTEST should be prepared on priority.

Recommendation 5: Once the request for services is timed and the operations have clear Key Performance Indicators, the efficiency of the services offered would be measurable and easy to monitor. Correspondingly, the FITTEST work plan, the project plan, KPIs for those deployed and closure report should have specific, transparent and documented linkages.

Recommendation 6: FITTEST should be equipped with an accounting system which generates statements of financial performance and cash flow, that would facilitate planned and accurate compliance with the Cost Recovery Directive. These statements should replace the Budget tracking.

Recommendation 7: We recommend a review of the cost benefit of the full cost recovery model with respect to costing and pricing across different services offered by FITTEST.

Recommendation 8: WFP should consider replacing lump sum rates to ad valorem rates for service level agreements (SLAs) with Dubai Support Offices across different services received by FITTEST keeping in mind optimum use of resources and delivery of standardised services.

Recommendation 9: The cost effectiveness of country offices procuring ICT equipments through WFP Dubai, other than for FITTEST-related mission execution, should be assessed comprehensively.

Recommendation 10: The migration process from Great Plains (GP) to WINGS II needs to be carefully managed. There should be a clear documented plan on how WINGS II would meet the reporting needs of FITTEST and transaction processing ease of the Dubai Support Office.

I INTRODUCTION

ICT in Emergencies

1. WFP defines an emergency as an **Urgent** situation in which there is clear evidence that an event or series of events has occurred which causes human suffering or imminently threatens human lives or livelihoods and which the **government concerned has not the means to remedy**; and it is a demonstrably abnormal event or series of events which produces **dislocation** in the life of a community on an **exceptional scale**. The event or series of events may comprise one or a combination of sudden calamities, human made emergencies, food scarcity conditions, severe food access or availability conditions or a complex emergency.
2. WFP's response is activated and calibrated on the basis of early warning and emergency preparedness, including baseline vulnerability analysis and emergency needs analysis. There is an underlying principle¹ that the intervention should be rapid, not subject to excessive bureaucratic formalities, or prescriptive criteria and the assistance should be temporary.
3. **WFP strategic plan 2008-13** focuses on five strategic objectives with fourteen goals and twenty one tools to achieve them. Three goals with particular reference to Information and Communications Technology (ICT), are:
 - ICT capacity and cluster leadership as a primary enabler to save lives and protect livelihoods in emergencies.
 - Support early warning product tools and disaster preparedness on an ICT platform to prevent acute hunger and invest in disaster preparedness and mitigation measures.
 - Special operations to rebuild essential hunger related ICT supported infrastructure.
4. **WFP management plan** stresses that the Emergency Telecommunications Cluster (ETC) ensures timely, predictable and effective provision of inter-agency telecommunications services in support of humanitarian operations from the onset of an emergency. WFP plays a lead role in initiatives such as the Global Partnership for Emergency Communications².

¹ Endorsed by the Committee on Food Aid Policies and Programmes, 1986

² WFP, the United Nations Foundation and the Vodafone Group Foundation, formed the partnership in 2008 to increase the effectiveness of ICT response in emergencies.

Organisational Structure: ETC in WFP

5. **The ODIF** which is the IT Emergency Coordination Branch under the Operations Department of WFP envisions being the “IT arm of the Humanitarian Community, by strengthening WFP’s IT Inter-Agency leadership position through Cluster and One-UN activities, and establishing alliances with key leading non-governmental organizations”. Its mission is to develop innovative technical and business solutions, build alliances, build capacity and act as a one-stop service shop in providing IT support to Emergency and Humanitarian Operations.

Dubai FITTEST

6. The Fast Information Technology and Telecommunications Emergency Support Team (**FITTEST**) of the ODIF was established in WFP in 1999 with an aim to respond to provide speedy ICT deployment for the flow of humanitarian aid. A special account- the **Dubai special account**³ was set up in January 2000 to fund its activities⁴. Since 2006, FITTEST also provides expanded administrative services during emergencies and for field offices. It is also the technology trial and application partner for the ETC and a new solution, called the Emergency Preparedness Integration Centre (EPIC)⁵.
7. FITTEST is equipped to support three emergencies, of which two can be serviced concurrently. Its role extends to :
 - Providing support in UN Humanitarian emergency responses anywhere in the world and increase the capacity for emergency preparedness;
 - Providing training to WFP IT staff, UN agencies and to WFP stand-by partners;
 - Documenting existing and new IT solutions;
 - Providing assistance and expertise to countries or regions where the existing IT staff may lack the required expertise, or where the scale of the project is too large for the local team to handle;
 - Exploring how existing technological solutions might be adapted to WFP’s use.
8. The operations are broadly categorised into 3 components: emergency, training and assessments/deployments. Assessments and deployments that address the gaps in ICT requirements in field units like country offices (COs), form the largest component of the operations of the FITTEST. Two examples of recent FITTEST operations are given below:

³ Formerly called the telecommunications/IT standby equipment and services special account

⁴ Including the Global Vehicle Leasing Programme (GVLP) for providing vehicles

⁵ Through EPIC or the Emergency Preparedness Integration Centre, it would be possible to initiate and receive voice conversation between desktop computers, mobile phones, EPIC handheld devices and digital or analogue VHF radios using wireless networks. The communication interoperability is hoped to make relief operations more accessible and efficient; the devices have embedded Global Positioning Systems (GPS) capabilities which allow users to locate their colleagues in the field, increasing the safety and security of staff; the tracking solutions can also be applied to assets and vehicles.

(i) Assessment in the Philippines

FITTEST undertook an assessment and deployment mission in the country during the period 16 November to 10 December 2008 to review and upgrade the Security Telecommunication System in Mindanao province (the Philippines). The main objectives of the mission were to:

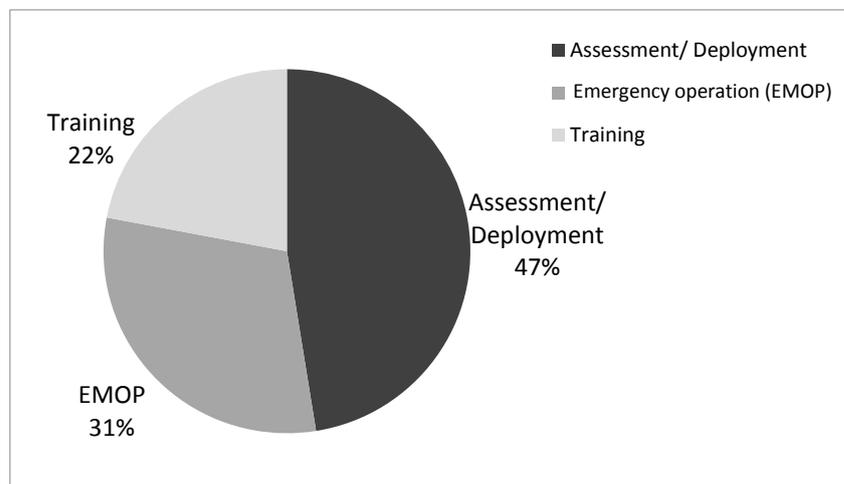
- Review and upgrade the existing security telecommunication system in Mindanao province.
- Provide radio usage and maintenance training to staff in order to sustain the security telecommunication network.
- Advise the UN agencies working in Mindanao province on the improvements of the security telecommunication network.

(ii) Emergency operations in Haiti

The team from FITTEST was deployed from Dubai to Haiti within 48 hours after a powerful earthquake struck the country on 12 January 2010. In addition, ICT staff from WFP Headquarters and Country Offices around the world was deployed to support the operation. The objective of the mission was to establish a communication centre and a logistics base for facilitating internet connectivity and security communications to humanitarian workers operating in Haiti.

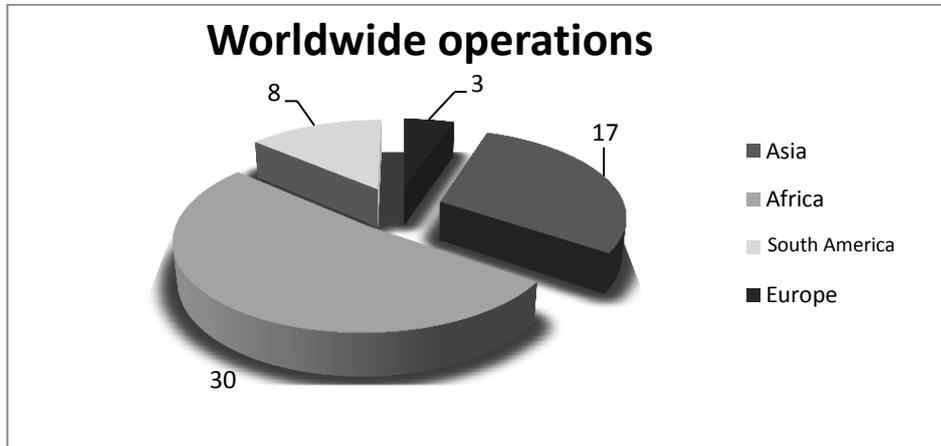
9. The time allocation to these services during the period January 2010 to June 2011 is illustrated in Figure 1.

FIGURE 1



10. During the period January 2010–June 2011, FITTEST serviced 58 projects spread over 33 countries; the region-wise share is shown in Figure 2.

FIGURE 2



11. Sales operations of FITTEST are managed by the Customer Services of the Global Humanitarian Services (GHS) Wing of the Dubai support office⁶. This support extends from the receipt of the initial request from a client for equipment or service till the final issue of the invoice. The GHS also handles the procurement functions. The stock of equipment of FITTEST is handled by the WFP's Humanitarian Response Depots (UNHRDs) for which a surcharge of 7 *per cent* is charged on the handling costs of stock. A Four-party⁷ SLA between ODIF; the GVLP situated in Dubai; UNHRD and the Dubai support office, governs the provision of the services. In return, the Dubai support office receives annually US\$450,000 for all the services provided to the FITTEST.

TABLE 1		
	Average over 3 years (2008–2010)	2011 (up to June 2011)
Emergencies supported (Number)	3	11
Missions supported (Number)	70	50
Income (in millions of US\$)	9.9	5.5
Sale of equipment	7.5	4.3
Operations	2.4	1.2
Manpower	14	16
Staff	2	2
Consultants	12	14

⁶ Formerly called DSO and FESO

⁷ Information Technology Division (ODI), GVLP, UNHRD and Dubai Office

12. FITTEST operates mostly through consultants, which helps to reduce the fixed cost of operations. Though selected by the FITTEST, the actual recruitment is done by the Dubai Support Office in consultation with Headquarters.
13. Full cost recovery is a core principle in the FITTEST. We were told that this principle balances the need to provide the services at an optimal rate by which FITTEST recovers its cost and its goal to provide them at competitive rates. As of date, it charges a **Management Recovery Cost** (MRC) of 7 per cent of the direct costs, applied on all goods and services rendered to other WFP units (country offices/regional bureaux, etc) and other UN agencies. The services are provided only after the receipt of advances from the clients.
14. The funds available to FITTEST to meet unforeseen costs are tabulated below;

Fund	Purpose	Amount in million (US\$)
Immediate Response Account (IRA)	For only emergency	2.0 per annum
Direct Support Costs (DSC) Advance Facility	If IRA not to be used	33.00
ICT Special Account	Fast emergency: only initial response	0.25 per annum
Other funding sources ⁸	Fund to ship equipment in emergency	

II OUR AUDIT WORK

Audit Objectives

15. FITTEST was chosen for the performance audit since it is posited to leverage the WFP strategy as an operational arm for an ICT emergency solution with an efficient effectiveness which is transparent. Our audit was planned to obtain an assurance on the ICT emergency preparedness and operational performance of the FITTEST in strategic alignment with the WFP goals. More specifically, it was geared to ascertain that:
- *FITTEST is equipped with a pool of skilled personnel, including consultants, that helps raise teams ready to be deployed on real-time;*
 - *The resources are firmly secured; the financing model is able to recover the cost;*
 - *Services are backed with plans, manuals, delegation of powers, responsibilities and documentation;*
 - *There are measurable key performance indicators supported by effective follow-up.*

Audit Methodology and Scope

16. Macro analysis of different functional areas and support services was done to review the impact of financial, infrastructural and administrative support of the FITTEST operations. The Micro analysis of the FITTEST operations was done

⁸ Programme Support and Administrative (PSA) (budget), DSC, other direct operational costs (ODOC), landside transport, storage and handling (LTSH), etc.

through five projects handled by FITTEST between 2009 and 2011 in Tajikistan, Kyrgyzstan, Pakistan, the Philippines and Haiti by tracing the path from planning to the completion report in fulfilment of control objectives based on a risk assessment. The risk was assessed in the matrix of critical resources used (finances, technicians, equipments), the types of services offered and the types of end use services. The Process control questionnaire (COBIT-4.1) and the bench marking of the process performance and capability expressed as the maturity model was used to derive an assurance.

17. Information was gathered through interviews and from the IT systems, SOPs, manuals, circulars, reports and records.
18. We discussed the audit objectives, scope and methodology with the Management at the FITTEST in Dubai during an Entry Conference on 3rd September 2011. The results of the audit were discussed with the FITTEST and with the Management in Rome.
19. Our audit findings and recommendations are based on information made available to us. We are not responsible for erroneous audit findings attributable to inaccurate/incomplete information provided to us.
20. **We acknowledge the cooperation and assistance extended by the WFP staff and Management during various stages of this audit.**
21. Our findings and recommendations are detailed in the succeeding paragraphs.

III CONTROL ENVIRONMENT

A Guidance

22. Standard operating procedures (SOPs) guide FITTEST's operations, staffing, financial and asset management procedures and are thus pivotal to the Team's functioning. The SOPs are presently drawn up at the level of the Chief, FITTEST. We think that approval of the SOP at a higher level preferably at Headquarters will help align its functioning with the current corporate framework in WFP.
23. We are also of the opinion that the roles of key management personnel in FITTEST should be more clearly defined to facilitate smooth transition. For instance, it is not explicitly stated as to who would be the functional head when the Head of Operations is away from station. Similarly, in case of re-assignments to and from critical posts (like Chief, FITTEST and Head of Operations), a charge handing-over note on important areas of work and pending issues would help in preparing the new incumbents.

Recommendation 1: *Standard operating procedures should be approved at a level above the Chief FITTEST.*

B Planning

24. The ODIF work plan 2011 took a new approach to facilitate greater co-ordination between ODIF units and to avoid at the start, the creation of 'mini-silos' within the Branch. Objectives are no longer set 'by unit' but are developed by function, and they all require the engagement of more than a single unit to be achieved. Of the 29 objectives under four segments in the ODIF work plan, 8 objectives⁹ under 3 segments relate to the FITTEST.
25. The SOPs prescribe a six-monthly strategic plan to guide the operations of FITTEST. We are of the opinion that the strategic plan of the FITTEST must draw from the ODIF work plan. We recognise that the emergency interventions of FITTEST cannot always be planned. However, we found that its work on assessments/deployments and training that together account for 70 *per cent* of its resources, were also not supported by a specific plan. We also think that once a mission is launched, it must get linked to the plan of work, which is currently not the case. These could get recorded in the mission planning sheets concurrently with the mission tracking statements, for monitoring the achievements. We also found that the ODIF work plan does not benefit from clear links with the periodic financial or operational reports of the FITTEST.

Recommendation 2: In compliance with the SOPs, six monthly strategic plans should be prepared and linked with the ODIF work plan with clear linkages to planning and tracking tools.

C Human resources

26. We examined recruitment of consultants over the period 2006 to mid-2011. Generally, FITTEST prefers to continue with its consultants, who have been with the Team for periods ranging from one to six years.
27. Our analysis of the tracking sheet showed that the consultants were on assignments for most of the year and spent around 35 *per cent* of the working days at Dubai. We were told that they are gainfully occupied during their stay in Dubai although no log on such work was maintained.
28. The SOP on staffing lays down that at the end of each consultant's contract, the Head of Operations prepares a Performance Evaluation report on each consultant for submission to the Chief FITTEST. While it records the technical abilities and personality traits in general terms, the evaluation is not linked to KPIs on the projects undertaken by the consultant and to that extent, is largely subjective.
29. FITTEST SOP provides for training of consultants to ensure that they are well equipped and trained so as to provide quality service. It is observed from the data provided that two consultants were trained in 2009, seven in 2010 and two

⁹ Under *Humanitarian leadership*: objective number 4; under *Innovative emergency services*, objective numbers 10,13,14,18; under *Management and Support*, objectives 24, 26, 29 relate to the FITTEST.

in 2011 (up to September 2011). No control mechanism is documented to ensure that the training is gainfully utilised.

Recommendation 3: Measurable performance indicators and inclusion of self assessment by the consultant should support the performance evaluation of consultants.

IV RISK MANAGEMENT

30. We found that FITTEST has undergone a number of changes. The changes span a variety of aspects: to start with, the names of the departments and their acronyms; the reporting arrangements whereby FITTEST now reports to ODI and not to the Regional Administration Office, Dubai (OMU); the funding arrangements; the operational aspects through changes in SOPs; are some of the illustrative changes. This is indicative of a pro-active, dynamic approach to the Team as it addresses its changing role and needs. It also is cognizant of minimising bureaucratic impediments and prescriptive criteria in its functioning. The documentation; change management procedures; concordance charts, etc., that support changes in organisations and facilitate successful and transparent compliance, get placed lower in operational priorities of FITTEST. The processes adopted by FITTEST are a mix of ad-hoc measures and on occasions, lend themselves to repetition, but are largely intuitive. There is a high degree of reliance on the knowledge of individuals and the commitment of its team. The flip side is however, that FITTEST takes on itself the risk of undetected non-compliance, in a rapidly changing work environment.
31. This report highlights the risks to the operations of the FITTEST. However, the risk register for the FITTEST, that would identify the risks, the controls required to mitigate them and the residual risk, was yet to be prepared as on the date of audit. It appears that documentation, communication and operational management; system development and maintenance and business continuity/disaster recovery remain at substantial risk.

Recommendation 4: Risk register for the FITTEST should be prepared on priority

V CONTROL ACTIVITIES

A Mission management

32. FITTEST considers timeliness of services as one of its areas of strength. We observed that the time and date of the first call for an emergency request, was not recorded, rendering monitoring of its performance against this parameter difficult. In fact, KPIs with regards to other parameters like reliability, standards of ICT operations offered, etc., had not been identified in general or specifically to the missions.
33. We also found that the Mission Tracking Sheets do not link up the individual missions to the complete operation, which is the basic unit against which cost is recovered from the client organization. In the absence of KPIs, the achievements reflected in closure reports could not be benchmarked. There were delays in

their submission. For example, the closure report of the Haiti emergency was not submitted even after twenty one months from the emergency.

34. We found that there was no distinction made between emergency services, normalization efforts, subsequent augmentation and capacity building services. The cost recovery for all types of support is identical and there exists no incentive in FITTEST to switch over from emergency conditions to capacity building mode for the ICT infrastructure and transfer of work to locally available ICT personnel in country offices/regional bureaux. The burden of financing its operations through cost recovery creates an inherent risk of protracting a solution which may not be in consonance with client requirements of minimising costs.
35. The missions follow a standardised approach in general. The equipment is standardized: a fly away kit which can be scaled according to the needs. Mostly a one-person team is deployed on a mission, except in the case of a large-scale complex corporate emergency operation. The team derives support from the local ICT teams of the CO or personnel drawn specifically from outside the CO (Headquarters/Regional Bureau).

Recommendation 5: Once the request for services is timed and the operations have clear KPIs, the efficiency of the services offered would be measurable and easy to monitor. Correspondingly, the FITTEST work plan, the project plan, KPIs for those deployed and closure report should have specific, transparent and documented linkages.

B Cost recovery model: financial viability

36. As pointed out before, FITTEST is mandated to operate on full cost recovery for which it charges all direct costs as well as a Management Recovery Cost (MRC): which is a fixed percentage on the direct costs of all goods sold and services rendered, The MRC is expected to meet the associated indirect costs of running the operations such as cost of administrative staff, local support staff, rentals, and other miscellaneous costs not directly related to the service provided.
37. With effect from 1st May 2011, the MRC has been pegged at 7 *per cent*. This rate was mainly to harmonise it with the rate for all services flowing from the WFP Dubai office (WFP Dubai, GVLP); no other rationale was available to support the rate fixed for MRC.

38. We examined the data to assess the adequacy of the charge being applied, although in the absence of a relevant management information system (MIS) on financial management in WINGS II (refer para 54), this was difficult. We found that the income and expenditure is recorded under four activities (funds) in WINGS II, namely FITTEST Equipment, FITTEST Mission Charges, FITTEST Administration and FITTEST Consultants. WINGS II records the income and expenditure under each fund and provides the budgetary balance under each. As of 14th September 2011 (date of audit), the four balances under the funds aggregated to US\$2.2 million. In addition, the Stock Inventory as on 1st September 2011 stood at US\$2.8 million. Together, the financial position of FITTEST was US\$5.0 million.

Fund	Balance (USD)
Fittest Equipment	1 445 051
Fittest Admin	145 690
Fittest-Consultants and Support	511 391
Fittest-Mission Cost Recovery	119 811
TOTAL	2 221 943

39. Although the directive on MRC (May 2011) was to charge it on all goods and services, we were told that in practice, MRC is not charged on the consultant costs. Our calculations showed that if the MRC is applied consistently across goods and services, FITTEST would run an annual deficit of US\$0.93 million. We noted that from the next year, FITTEST would have to bear the salary of Chief FITTEST and accommodate a higher salary of Head of Operations. This could further adversely impact on the financial viability of FITTEST in the coming years.

40. The directive requires the FITTEST to aggregate all direct costs incurred on the consultants and apply a 7 *per cent* MRC on this aggregate direct cost, to cover its indirect costs. We found that instead establishment costs, that may only be partly attributable to servicing the consultants, are also loaded on the per diem cost charged to the client; this method is used in place of the MRC. We were told that this method of charging was discussed in a global IT meeting (October 2010) and has the consent of the client organisations. This method is flawed on many counts:

- It is not consistent with the principle of cost recovery.
- This creates a conflict of interest with the objective of efficient, economical services since it fosters an inherent advantage in longer deployment of consultants on missions rather than ensure speedy handover to local staff.
- The absence of a transparent and clear process to work out the direct cost of operations will guise the inefficiencies, if any, in the operations of the FITTEST, with the higher costs being loaded on the clients.

***Recommendation 6:** FITTEST should be equipped with an accounting system which generates statements of financial performance and cash flow that would facilitate planned and accurate compliance with the Cost Recovery Directive. These statements should replace the Budget tracking.*

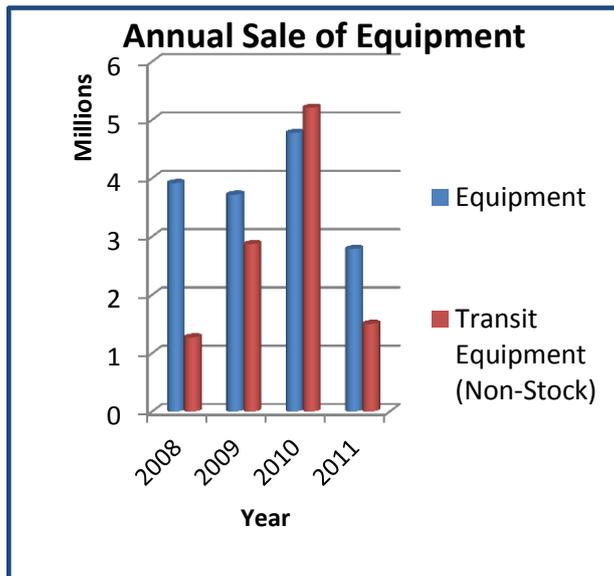
***Recommendation 7:** We recommend a review of the cost benefit of the full cost recovery model with respect to costing and pricing across different services offered by FITTEST.*

***Recommendation 8:** WFP should consider replacing lump sum rates to ad valorem rates for SLAs with Dubai Support Offices across different services received by FITTEST keeping in mind optimum use of resources and delivery of standardised services.*

C Procurement and sale of ICT equipment

41. Average total ICT procurement made by WFP was around US\$50 million in the last three years. FITTEST accounted for 14 *per cent* of the procurement at US\$7 million during the same period. We examined the procurement transactions for FITTEST items for the period July 2009 to June 2011.
42. About 40 *per cent* of the procurement is from United Arab Emirates (UAE)-based vendors; of the remaining, vendors from three countries: Denmark, Australia, and the United States of America accounted for 44 *per cent*. The top 7 vendors accounted for 50 *per cent* of the total procurement, of which one was UAE-based.
43. Procurement is made more efficient through Long-Term Agreements (LTAs) which ensures commitment on both cost and time of delivery. We noted that the procurement module in WINGS II does not record whether the items were procured under an LTA or by a regular competitive bidding process. We were thus unable to assess the quantum of procurement through LTAs, and whether the price and other terms of procurement were in keeping with the LTA clauses. We think that the benefits accruing from the LTAs need to be quantified and monitored.
44. Since the bulk of the procurement was from outside of Dubai/UAE, there may not be any distinct price advantage in procuring ICT equipment for other country offices through Dubai unless the LTAs provide for direct shipment to the consignee from the vendors' premises. The WINGS II system has been so configured that generally, the in-bound freight cost gets absorbed in the procurement cost of the items¹⁰. We were thus unable to find the exact cost of freight for shipping the items to the destination port. An analysis of the transactions where the freight cost was segregated from the purchase cost led us to estimate the freight cost to be in the region of 5.6 *per cent* of the purchase cost.

¹⁰ Freight charges which are known at the time of placing of the purchase order are apportioned to the cost of the Items at the time of recording the receipt of these items.



45. FITTEST loads a charge of 2 *per cent* of the purchase cost of the item for handling clearance from the port/entry point in UAE to the warehouse in Dubai. The logistics wing of UNHRD handles the clearance at the port and raises monthly invoices against FITTEST for the actual expense incurred which includes a surcharge of 7 *per cent* of the handling costs. We found that the recovery of handling costs charged by the FITTEST from the clients was higher than the actual expense charged by UNHRD.

46. In addition to items that *are stocked* and are directly related to its mission operations, FITTEST also procures transit items¹¹ i.e., equipment which is not kept in stock and incidentally sourced through FITTEST by the recipient country offices. Sale of transit items is on an increase in money terms and as a share of the total sales: initially accounting for 24 *per cent* of the total sale of equipment in 2008, it accounted for 52 *per cent* of the pie in 2010¹² (It is 35 *per cent* for the half year of 2011).
47. Transit items are not invariably supported by a LTA and the final cost to the buyer includes both inward freight (From Vendor to WFP Dubai Warehouse,) and outward freight costs, in addition to the MRC and handling charge, which all together would pad up the final cost by as much as 24.6 *per cent* of the purchase cost. The value for money for country offices to route purchases through the FITTEST cannot be ensured in this context. We could not draw assurance on the distinct value addition provided by FITTEST, as invariably procurement is done against the specifications communicated by the client.
48. We were provided with a spread sheet with four illustrative examples which showed that the cost of procurement through FITTEST would only be 12 *per cent* higher than direct purchase by a client, “a difference which was matched by corresponding services”. While we have no comments on whether the difference in price is matched by the service rendered by FITTEST, we think that WFP must take cognizance of the fact that purchases routed through the FITTEST loads 24.6 *per cent* of the item cost on the clients; the inward freight costs and the handling costs¹³ are absorbed in the item cost and are not transparently disclosed to the clients; and that a comprehensive and transparent review of the

¹¹ As further identified by the Item Code Prefix of “TRN”

¹² Based on the Sales Order fulfillment report generated from the Great Plains system

¹³ 2 *per cent* of purchase cost, which as discussed above was higher than actual paid to UNHRD

cost benefit of such purchases should assure WFP that the COs that source their equipment through FITTEST obtain value for money.

49. We also noted a few drawbacks in the handling of stock, as highlighted below:

- The Item coding used for recording the various ICT items does not follow any consistent hierarchical categorisation, which prevents meaningful MIS on purchase and sales.
- We were informed that the re-order levels for the various items was set years ago, and had not been reviewed periodically. Procurement for the purpose of restocking of items is done intuitively. There exists no documented policy on required stocking levels which would normally be based on the anticipated demand, the lead time of procurement, the re-ordering cost and the cost of not being able to meet the client requirement on time.
- The current system does not permit aging analysis of stock items. While the First-in, first-out system (FIFO) was stated as being followed, this was being ensured through a manual control, rather than through the system.
- The IT system does not maintain the actual cost of procurement, as freight charge and handling charge are directly added to the purchase cost of the item, which renders segregation of cost components and their analysis difficult.

50. FITTEST conducts technology surveys, lab testing of products offered by vendors for operability, trials under field conditions and roll out after necessary approvals. We were given to understand that there have been very few changes in satellite/radio item configuration used in WFP. Changes have been mainly in off-the-shelf IT related configurations. In the meanwhile, the EPIC project and ETC are working parallel, seeking compatibility and convergence. We did not find a synergy in the efforts to engage vendors, to research and develop robust, convergent ICT solutions across media, protocols and end use equipment. Remote diagnostics systems for networks and configuration also did not seem to have been aggressively pursued largely because FITTEST was not mandated to research; rather it was meant to roll out operational systems.

Recommendation 9: The cost effectiveness of country offices procuring ICT equipment through WFP Dubai, other than for FITTEST-related mission execution, should be assessed comprehensively.

V INFORMATION AND COMMUNICATION

EMMA

51. A standardized application, Emergency Management Application (EMMA) was developed internally in 2008 at a cost of US\$134,719 to cater for planning and management of resources - staff, equipment and funds - during an emergency operation. It was also expected to simplify the reconciliation of information with other supporting applications.

52. The development of the software appears to have been an initiative in isolation; without following IS development standards; and without involving the

stakeholders. Eventually, EMMA was never used in FITTEST because it did not meet the requirements. In its place, an excel template is being developed.

53. In our view, a stand-alone spreadsheet solution would be an addition to the existing plethora of spreadsheets which are neither linked nor reconciled to each other or the other applications like Great Plains, WINGS II, etc. For instance, the Mission Planning Sheet, Mission Tracking Sheet, Stock Status report and Budget status report, are prepared through independent MS Excel spreadsheets with no link to the resources deployed, cost of the operation as a whole or cost of components of the services. The mission tracking sheet is also not linked to the income and expenditure details for the missions of an operation.

WINGS II

54. FITTEST manages the financing and budgeting of operations through four funded projects configured in WINGS II namely FITTEST Equipment, FITTEST Mission Charges, FITTEST Administration and FITTEST Consultants. These funds have been created around the four types of activities of FITTEST which by themselves are not financially self-sustaining; different activities being either primarily income-generating, or expense incurring. But since expenditure cannot be incurred under each fund without availability of balances (budgetary control), FITTEST has to frequently resort to transfer of balances between the funds. For instance, "FITTEST Consultant and Support" does not have any directly attributable revenue stream. Moneys are transferred from "FITTEST Mission Charges" to "FITTEST Consultant and Support" in order to meet the payroll commitments. Such transfers impair the budgetary controls significantly.
55. WINGS II provides the balance under each fund (Consumption Report: PA-R008) and does not track the surplus or deficit of FITTEST operations. Even a positive budgetary balance may not denote a true surplus from an activity, as it may include advances received for services yet to be rendered by FITTEST. Thus a liability for a service would be shown as income in the system.
56. Since WINGS II does not meet the information needs of FITTEST, financial management is done outside of the WINGS system in a stand alone excel sheet, called the Budget Tracking Sheet (since January 2011). The Budget Tracking Sheet mainly functions as an operational tool for follow-up of expenditure and income, to ensure availability of funds before making further commitments. Both income and expenditure are manually recorded in the Tracking Sheet at a summary level, by adding up individual transactions. The individual transactions themselves are picked up piecemeal from different sources, and not directly from a report generated from the WINGS system. This renders the process high risk of inconsistency with the core accounting system in WINGS II. The accuracy of the tracking sheet cannot be vouched as there is no reconciliation between the manually maintained Excel sheet, and the WINGS system balance against each funded project.

Great Plains

57. While the stock procurement transactions are processed in WINGS, the receipt and issue of material at a transactional level is handled in another application, GP. We were informed that the stock management process is in the process of migration to the Warehouse Management System, WMS, of WINGS. While the basic transaction processing is done on the GP system, these are later, almost concurrently, recorded in WINGS. In addition, a separate system, eTAS is used for the tendering process in procurement. By running parallel applications, not only is there duplication of effort, there is also a risk that the transactions may be incorrectly booked. Some of the transaction details are lost as the data is recorded in WINGS II when some of the line items in the invoice are summarised. Preparation of a useful MIS also becomes difficult. We were informed that all the transaction processing would soon be migrated to a single system, WINGS.
58. We assess that there is a high dependency on the GP system which has been in operation for the last 5 years. Coupled with our assessment that the reports from the WINGS system are not able to meet the MIS requirements of FITTEST, we view the migration of all operations to a single system WINGS, though extremely desirable, fraught with risk of reduced performance efficiency, at least in the initial stages.
59. FITTEST stocks lying in the warehouse is an important part of its preparedness to handle emergencies. The migration to WINGS II should be managed with care to ensure that the operations are not disrupted. A standard hierarchical item categorisation should be adopted and used before moving the stock data to WINGS II. It should be ensured that the cost of items is available with full details, and not overwritten, and individual item tracking is possible for implementing an appropriate inventory management technique for managing cost or equipment obsolescence.

***Recommendation 10:** The migration process from GP to WINGS II needs to be carefully managed. There should be a clear documented plan on how WINGS II would meet the reporting needs of FITTEST and transaction processing ease of the Dubai Support Office.*

ACRONYMS USED IN THE DOCUMENT

CO	country office
COBIT-4.1	Process control questionnaire
DSC	Direct Support Costs
EMMA	Emergency Management Application
EMOP	emergency operation
EPIC	Emergency Preparedness Integration Centre
ETC	Emergency Telecommunications Cluster
FITTEST	Fast Information Technology and Telecommunications and Emergency Support Team
GHS	Global Humanitarian Services
GP	Great Plains
GPS	Global Positioning System
GVLPP	Global Vehicle Leasing Programme
ICT	Information and Communications Technology
IRA	Immediate Response Account
KPI	Key Performance Indicators
LTA	Long-Term Agreements
LTSH	Landside transport, storage and handling
MIS	Management Information System
MRC	Management Recovery Cost
ODI	Information Technology Division
ODIF	IT Emergency Coordination Branch
ODOC	other direct operational costs
OMU	Regional Administration Office, Dubai
PSA	Programme Support and Administrative (Budget)
SLA	service level agreement
SOP	Standard Operating Procedure
UAE	United Arab Emirates
UNHRD	United Nations Humanitarian Response Depot
WINGS II	WFP Information Network and Global System II