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Resource, financial and budgetary matters

For consideration

Executive Board documents are available on WFP's website (<https://executiveboard.wfp.org>).

WFP management response to the recommendations in the report of the External Auditor on support services

Background

1. Management welcomes the recommendations made in the report of the External Auditor on the management of support services.
2. The External Auditor included the following under support services: information and technology management, procurement and human resources management.
3. The external audit of support services began in August 2022 and involved auditor visits to WFP headquarters between 11 and 20 October 2022 and to the Regional Bureau for the Middle East, Northern Africa and Eastern Europe, the Regional Bureau for Southern Africa and the country offices for Egypt, Jordan, Lebanon, Malawi, Mozambique, the United Republic of Tanzania and Zimbabwe between 7 and 17 February 2023 and between August 2022 and January 2023.
4. Observations made and recommendations relating to the country offices and regional bureaux are included in the report as the External Auditor deemed necessary.
5. The purpose of the audit was to assess whether WFP's support services ensure the effectiveness, economy and efficiency of WFP operations, with the aim of providing recommendations for improvement. The following are key findings:
 - goods and services supplier registration process:
 - the registration of suppliers is decentralized, except for registration in the WFP Information Network and Global System (WINGS);
 - there is no differentiation between different levels of registration;
 - registration is different in all offices due to decentralization;

Focal points:

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- goods and services long-term agreements:
 - are not systematically recorded or tracked in a central database;
 - a list of headquarters long-term agreements is published on the WFP intranet;
 - the list is not up to date;
 - personnel files:
 - headquarters and offices outside headquarters moved from hard-copy personnel files to e-files;
 - there is no standard corporate guidance on electronic record keeping in place;
 - offices outside headquarters have developed and implemented their own solutions;
 - there are weaknesses in the structure of e-files;
 - locally developed/locally purchased software solutions:
 - the directive on a field software development framework was issued to rationalize the local development of information technology (IT) solutions; however, the goal of the directive has not been fully met;
 - a lack of Technology Division (TEC) direct visibility on field software development prevents the organization from managing duplications and overlaps.
6. Management welcomes the External Auditor's recognition that support services play a key role in WFP's organizational and operational activities. The External Auditor's key findings and recommendations are closely aligned with current initiatives aimed at improving and simplifying WFP's support services, oversight mechanisms, operational tools and relevant guidelines and manuals.
7. Management agrees with the report's observations regarding the establishment of mandatory criteria for the registration of goods and services suppliers and differentiation between categories of suppliers. Following a review of the supplier management processes for WFP conducted by Supply Chain Operations Division (SCO) management in 2021, a supplier relationship management project was initiated in early 2022 aimed at designing and implementing improved supplier management processes to address identified gaps. The project has since moved to the implementation phase and is expected to be completed by 2024 within the broader framework of the Procurement Branch (SCOP) business process review.
8. Management confirms that WFP is committed to continue to record, track and monitor goods and services long-term agreements. An outline agreement feature has been developed in the WFP corporate system WINGS, which will allow monitoring of the validity of long-term agreements and related expenditures.
9. Management supports the recommendation to put in place corporate guidance on electronic record-keeping for personnel files, including a consistent structure and naming convention that will support the ongoing efforts to digitize all personnel files.
10. Management takes note of the recommendation to review the current IT landscape to reduce duplication and overlaps in current systems and solutions. Efforts to continue this review will form part of the development of WFP's enterprise architecture strategy, which will be completed in late 2024.

11. Management thanks the External Auditor for its constructive collaboration during the internal review.
12. The following matrix sets out WFP's planned actions for implementing the External Auditor's recommendations and the timelines for their completion.

Draft decision*

The Board takes note of the WFP management response to the recommendations in the report of the External Auditor on support services (WFP/EB.A/2023/6-F/1/Add.1).

* This is a draft decision. For the final decision adopted by the Board, please refer to the decisions and recommendations document issued at the end of the session.

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON SUPPORT SERVICES			
External audit recommendation	Action by	WFP management response	Timeframe
<p>Recommendation 1</p> <p>The External Auditor recommends that WFP define mandatory criteria for the registration of goods and services suppliers and consider differentiating between different levels of registration.</p>	SCO	<p>SCO agrees with the gaps identified by the External Auditor. Efforts to address them are already under way. An approach for segmenting suppliers has already been designed, resulting in the following three categories of supplier: strategic, important, and transactional. In addition, a supplier vetting procedure has been adopted in which the extent of due diligence required varies according to the supplier categories described above, with strategic suppliers requiring the most stringent due diligence and transactional suppliers the least strict.</p> <p>Work to develop the guidelines and categorize suppliers is under way in the context of the supplier relationship management project and business process review.</p>	December 2024
<p>Recommendation 2</p> <p>The External Auditor recommends that WFP define the minimum requirements that a supplier has to fulfil to be included in the supplier roster; and provide respective guidance to the offices outside headquarters</p>	SCO	<p>WFP management confirms that minimum requirements for supplier inclusion on the supplier roster already exist (see section 3.1 of the goods and services procurement manual). Management acknowledges that there are gaps in supplier roster management, as highlighted by the audit finding. Actions are already under way to address these gaps, which were also highlighted in the ongoing procurement business process review. In 2021 SCO initiated a supplier management review project, which is ongoing. In the interim, management has taken the decision to mitigate the risk of conflict of interest by placing the supplier management review team outside of SCOP.</p> <p>One of the deliverables of the supplier management review project is a guide to establishing and maintaining supplier rosters, including updated minimum requirements for including suppliers on a roster. Management will continue to prioritize the activities already initiated, but the project requires corporate attention and funding. The third-party evaluation (done by a consulting company) estimates that some USD 9 million will be required to implement the recommendations in full, including the adoption of a new digital solution that will add transparency in the registration and management of suppliers. To date, USD 3 million has been allocated to the project, and a request for an additional USD 6 million will be presented in connection with the next management plan.</p>	December 2024

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON SUPPORT SERVICES			
External audit recommendation	Action by	WFP management response	Timeframe
<p>Recommendation 3</p> <p>The External Auditor recommends that WFP review how to record, track and monitor long-term agreements for the provision of goods and services systematically to ensure complete and up-to-date information.</p>	SCO	<p>Agreed.</p> <p>Since the last quarter of 2022, SCOP (in collaboration with TEC) is pursuing the extension of the outline agreement feature for tracking goods and services long-term agreements in WINGS. This feature is now implemented and will ensure that all such agreements and related call-offs are adequately recorded and tracked in WINGS to allow for the monitoring of their validity and related expenditures.</p> <p>The outline agreement feature offers an immediate way to track long-term agreements through WINGS in a more transparent and efficient manner. It is however still deemed a temporary fix. Indeed, resulting from the ongoing in-depth procurement function business process review, an end-to-end (from procurement to payment) digital solution has been recommended and is being sought on the market.</p> <p>While the implementation of such an end-to-end digital solution will require a large financial investment, it will represent a significant step forward for WFP, bringing the organization in line with the industry best practices and providing a more user-friendly tool for efficient and effective procurement.</p>	Implemented
<p>Recommendation 4</p> <p>The External Auditor recommends that WFP stipulate that, as a general rule, at least three quotations that meet WFP's requirements must be obtained; and define in which cases it is justified to request only one quotation before awarding an MPO.</p>	SCO	<p>SCO will continue clarifying the requirement to obtain three quotations prior to awarding a micro-purchase order (MPO) and will provide clear guidance to requesting units through regular training, including on situations in which it is acceptable to obtain fewer than three quotations.</p> <p>The sections 6.3.1 and 5.1.2 of the goods and services procurement manual provide guidance on MPOs, stating that three quotations must normally be obtained prior to awarding the MPO and that a clear justification must be provided if fewer are obtained.</p> <p>SCOP will develop WeLearn training on MPOs for all staff.</p>	December 2024

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<p>Recommendation 5</p> <p>The External Auditor recommends that WFP strengthen its review and oversight regarding MPOs of headquarters' divisions and offices outside headquarters to ensure compliance, to offer advice and to identify options for consolidated procurement.</p>	SCO	<p>Agreed.</p> <p>SCOP will strengthen the MPO review and oversight process, both at headquarters and in the regional bureaux and country offices.</p> <p>Currently, the oversight function for MPOs falls under the auspices of the regional bureaux, which collect MPO assurance statements and provide advice and guidance on compliance issues to country offices.</p> <p>SCOP will continue to provide feedback and guidance to client units where non-compliance issues are flagged.</p> <p>Regarding the issue of consolidation, SCOP will review options for long-term agreements for goods and services purchased frequently through MPOs.</p> <p>The Goods and Services Procurement Unit, together with TEC, will develop a dashboard for tracking MPOs for oversight purposes in one of the corporate systems such as Tableau/DOTS.</p>	June 2024
<p>Recommendation 6</p> <p>The External Auditor recommends that WFP consider to centralize the procurement functions at headquarters in one branch.</p>	SCO	<p>Agreed.</p> <p>WFP acknowledges the audit findings and accepts the recommendation.</p> <p>The scope of the ongoing business process review will be extended to include other services within SCO with the objective of streamlining processes and procedures.</p> <p>In that context, the feasibility of consolidating procurement activities in one service will be reviewed. Notwithstanding the value of the recommendation, it is worth stressing that some procurement activities are better placed under particular services due to their specialized nature, the expertise required and the need to maintain agility in WFP's responses.</p>	December 2024
<p>Recommendation 7</p> <p>The External Auditor recommends that WFP establish a corporate guidance or instruction on electronic record-keeping for personnel files, including a consistent e-file structure and a naming convention for documents.</p>	Human Resources Division (HRM)	<p>Agreed.</p> <p>WFP supports the recommendation to develop corporate guidance or instructions on electronic record-keeping for personnel files, including a consistent structure and naming convention. The recommendation will be implemented in the context of the current efforts in progress to digitalize personnel files.</p>	June 2024

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON SUPPORT SERVICES			
External audit recommendation	Action by	WFP management response	Timeframe
<p>Recommendation 8</p> <p>The External Auditor recommends that WFP continue to regularize posts in line with staffing needs and the stipulations of the Staffing Framework.</p>	HRM, all offices	<p>Agreed.</p> <p>WFP supports the recommendation to continue to regularize posts, particularly as the organization works towards its long-term and short-term workforce targets. WFP will continue its efforts in this regard in line with its staffing framework, including notably its transition period for full implementation of the staffing framework, and will feature the development of tools for managers.</p> <p>Already, WFP has seen an increase in employees on long-term contracts from a baseline of 39 percent in 2021 to 50 percent at the end of 2022.</p>	December 2025
<p>Recommendation 9</p> <p>The External Auditor recommends that WFP accelerate the approval of the documents for the disaster recovery procedures, include clear references and linkages between the different documents, and establish and implement the disaster recovery test plan and the disaster recovery test schedule.</p>	TEC	TEC will finalize business continuity and disaster recovery plans, including an overarching policy and templates and specific plans for WFP's "crown jewel" IT solutions, and will align them with the corporate business continuity and disaster recovery planning exercise in the third quarter of 2023. The disaster recovery test plan and the related schedule will be delivered by the fourth quarter of 2023.	December 2023
<p>Recommendation 10</p> <p>The External Auditor recommends that WFP create a new guideline and a template for disaster recovery planning of the country offices and regional bureaux as soon as possible.</p>	TEC	TEC will issue guidance for country offices and regional bureaux in alignment with its action in response to the first recommendation above in the fourth quarter of 2023.	December 2023
<p>Recommendation 11</p> <p>The External Auditor recommends that WFP review the current IT landscape to identify overlapping capabilities/solutions and to avoid duplications.</p>	TEC	TEC will review the current IT landscape with a view to reducing duplication and overlaps through an IT portfolio rationalization activity after completion of business capability mapping as part of the development of an enterprise architecture strategy.	September 2024

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON SUPPORT SERVICES			
External audit recommendation	Action by	WFP management response	Timeframe
<p>Recommendation 12</p> <p>The External Auditor recommends that WFP strengthen the authority of the Technology Division regarding the implementation of new IT solutions.</p>	TEC	In alignment with this recommendation and the first recommendation from the internal audit of information technology management and support in WFP country offices, TEC will formulate the level of authority to be assigned to TEC and the Chief Information Officer in the management of IT field resources for consideration by the Digital Business and Technology Committee.	December 2024
<p>Recommendation 13</p> <p>The External Auditor recommends that the Technology Division review the IT policies to ensure that the documents are up to date and needed; and enable easy access to the information.</p>	TEC	TEC will review the body of IT policies and develop a user-friendly compendium of policies to be published on WFPgo.	September 2024

Acronyms

HRM	Human Resources Division
IT	information technology
MPO	micro-purchase order
SCO	Supply Chain Operations Division
SCOP	Supply Chain Procurement Branch
TEC	Technology Division
WINGS	WFP Information Network and Global System