

May 2014

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FINANCE COMMITTEE

Hundred and Fifty-third Session

Rome, 12-13 May 2014

Report of the External Auditor on Food Procurement in WFP

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EXECUTIVE SUMMARY

- This report presents the results of the Comptroller and Auditor General of India's audit of the World Food Programme (WFP) with regard to its performance on Food Procurement. WFP, the world's largest humanitarian agency addressing hunger worldwide, provides food in many of the world's most remote and fragile areas, on average, to 90 million people per year and purchases more than 2 million metric tons (MT) of food every year. Efficient food procurement is thus critical to the successful delivery of WFP's mission.
- Our Performance Audit on Food Procurement in WFP broadly sought an assurance that the food procurement by WFP fulfilled the policy objective of cost effective, efficient and timely purchases in a transparent manner. We covered the period (August 2011 to July 2013) in our Performance Audit. Our audit spanned the WFP Headquarters (HQ in Rome, 6 Country Offices (COs) and 3 Regional Bureaux (RBs).
- We observed weaknesses in procurement planning of WFP, as procurement plans were not being prepared which could enable it to plan ahead, keeping in mind its requirements as well as derive long term benefits with regard to price. Further, WFP's approach was largely reactive rather than strategic; as it went in for purchases as and when funding was made available. WFP also did not have a corporate supply and sourcing strategy. At the HQ level, we observed that the procurement activity was confined to silos, defined by functional activities like procurement, logistics, transportation etc., and there was a need to move to an integrated supply chain approach.
- We observed that the new initiatives of Forward Purchase Facility and Purchase for Progress had certain risks in their implementation, which had not been fully addressed. We observed cases of weaknesses in adherence to policy and guidelines governing food procurement in WFP; in processes for contract administration; in internal controls governing procurement process and in timely delivery of food grains, which needed to be addressed to ensure achievement of the objective of appropriate food commodities being available to beneficiaries in a timely and cost-effective manner. In our opinion, the IT tools did not extend to many vital pieces of information, which would add value to the procurement process.
- With regard to vendor management, we found certain deficiencies related to registration and selection of suppliers, inspection of their facilities, vendor database, invitation to vendors to bid, tracking performance of vendors etc.
- Food safety and quality was a concern area and needs to be addressed by having a comprehensive policy, based on a supply chain approach. Adequate checks on suppliers and inspectors for quality issues were also found wanting.
- We observed certain weaknesses in the functioning of oversight bodies and mechanisms. The Committee on Commodities, Transport and Insurance was unable to exercise effective oversight over the procurement activity, since it could not even hold its meetings as per laid down periodicity. Oversight by COs/RBs over procurement processes was weak and vital personnel needed to be deployed for more effective oversight.
- We recognize that the procurement wing in WFP demonstrates commitment and professionalism in ensuring that quality food reaches the beneficiaries in time, especially in conflict-ridden areas. However, there are critical areas where WFP needs to strengthen and build on current approaches to optimize the procurement performance, as summarized in our recommendations.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to consider the document “Report of the External Auditor on Food Procurement in WFP” and provide comments for consideration by the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee considered the document “Report of the External Auditor on Food Procurement in WFP” and made comments to the Executive Board in the report of its 153rd Session.**