



联合国
粮食及
农业组织

Food and Agriculture
Organization of the
United Nations

Organisation des Nations
Unies pour l'alimentation
et l'agriculture

Продовольственная и
сельскохозяйственная организация
Объединенных Наций

Organización de las
Naciones Unidas para la
Alimentación y la Agricultura

منظمة
الغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

Hundred and Eighty-sixth Session

7–9 June 2021

Report of the External Auditor on critical corporate initiatives

Queries on the substantive content of this document may be addressed to:

Mr Richard Bellin
Director of External Audit
World Food Programme
Email: richard.bellin@wfp.org

Documents can be consulted at www.fao.org

NF600/e

EXECUTIVE SUMMARY

- The “Report of the External Auditor on critical corporate initiatives” is submitted to the Board for consideration.
- The executive summary of the “Report of the External Auditor on critical corporate initiatives” is included within the main document presented to the Committee for its review.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to review the “Report of the External Auditor on critical corporate initiatives” and to endorse it for consideration by the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to approve the draft decision as outlined in the document “Report of the External Auditor on critical corporate initiatives”.**



World Food Programme
Programme Alimentaire Mondial
Programa Mundial de Alimentos
برنامج الأغذية العالمي

Executive Board
Annual session
Rome, 21–25 June 2021

Distribution: General

Agenda Item 6

Date: 12 May 2021

WFP/EB.A/2021/6-F/1

Original: French

Resource, financial and budgetary matters

For consideration

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

Report of the External Auditor on critical corporate initiatives

Draft decision*

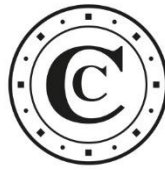
The Board takes note of the report of the External Auditor on critical corporate initiatives (WFP/EB.A/2021/6-F/1) and management's response (WFP/EB.A/2021/6-F/1/Add.1) and encourages further action on the External Auditor's recommendations, taking into account the considerations raised by the Board during its discussion.

* 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.

Focal point:

Mr R. Bellin
Director of External Audit
tel.: 066513-2392

Cour des comptes
FRANCE



EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

AUDIT REPORT ON CRITICAL CORPORATE INITIATIVES

Financial years 2018–2020

COUR DES COMPTES REFERENCE: PAM-2020-4



TABLE OF CONTENTS

SUMMARY	4
I. OBJECTIVE, SCOPE AND APPROACH OF THE AUDIT	5
II. LIST OF RECOMMENDATIONS	8
III. OBSERVATIONS AND RECOMMENDATIONS.....	10
1. CCI relevance	11
1.1 Concept of strategic priorities.....	11
1.2 Alignment with the strategic priorities.....	12
1.3 Alignment with other investments	13
2. CCI governance.....	14
2.1 Decision making in the CCI creation process	14
2.2. SRAC approval of budget requests.....	16
2.3 Executive Board approval	17
2.4. Implementation and monitoring of approved CCIs.....	18
2.5. CCI reporting.....	19
3. CCI financial management	20
3.1 Budgetary framework	20
3.2 CCI scope	21
3.3 Financial implementation	23
- Staff costs.....	23
- Non-staff costs.....	23
4. CCI performance	24
4.1 Accounting for performance in CCI selection.....	24
4.2 Monitoring implementation	24
5. Local dimension of CCIs	26
5.1 Field involvement	26
5.2 Resource concentration	26
IV. ACKNOWLEDGEMENTS	27
ANNEXES.....	28
Annex 1: Possible actions for the Secretariat.....	28
Annex 2: List of CCIs approved by the Executive Board since 2015.....	29
Annex 3: Examples of investment cases that resemble CCIs, 2018–2020	30
Annexe 4: Summary of the survey of regional bureaux and country offices.....	31

SUMMARY

Critical corporate initiatives (CCIs) are spending programmes focused on organizational change, proposed by the Secretariat to strengthen WFP's programming, operational and administrative capacity. This report contains five main observations.

1 - The framework for selecting CCIs is not conducive to ensuring their relevance. The Executive Director's corporate priorities, which are the basis on which CCIs are prioritized, are not sufficiently well defined. This makes it difficult to ensure that CCIs are selected on the basis of their ability to strengthen the organization's structure and enable WFP to achieve its strategic objectives. In addition to the CCIs funded from the programme support and administrative equalization account, WFP undertakes strategic investments in similar areas using programme support and administrative budget funds, without the Board having an overview of the full picture.

2 - There are gaps in governance with respect to separation of duties, transparency and standardization. The CCI selection process results in the same people being entrusted with proposing and selecting investments for approval. CCIs in very general terms are approved by the Executive Board as a package, usually without any presentation of expected outcomes. The working documents of the Strategic Resource Allocation Committee do not allow for traceability of the selection process, and the mode of operation of the steering committees that ensure the monitoring of CCI implementation is not standardized.

3 - The means of measuring CCI results are neither systematic nor always robust. There are many CCIs in areas that are plainly beneficial for the management of WFP, such as process automation, development of country strategic plans, raising of private funds and cooperation with other United Nations entities, yet their outcomes are barely mentioned in the annual performance reports. The lack of clear, measurable performance criteria sometimes makes it difficult to assess the outcomes in relation to the initial targets. Few cost-benefit assessments have been done.

4 - The financing framework for CCIs requires clarification. The terminology used by the Secretariat is ambiguous, characterizing CCIs as "investments", which, from a financial and accounting point of view, they are not. The establishment of CCIs is made possible by the receipt of indirect support cost resources that exceed the programme support and administrative budget. In some cases, CCIs may have been seen as supplementing regular resources rather than as expenditures directed at organizational change. In this regard, in the absence of robust and accurate results measurement, the debate about whether to allocate the surplus from the equalization account to operations rather than to CCIs remains open, as does the debate over whether to reconsider the level of indirect support costs.

5 - The centralized mode of CCI development does not encourage the involvement of field operations. With few exceptions, country offices are less involved than headquarters in CCI design and implementation, yet, given the decentralized nature of WFP's work, they are the main beneficiaries. Greater involvement of the field operations in CCI design is all the more advisable as some reforms may entail local adjustments.

I. OBJECTIVE, SCOPE AND APPROACH OF THE AUDIT

1. In accordance with our notification letters dated 24 May and 20 November 2020, a team of four auditors conducted an audit at World Food Programme (WFP) headquarters in Rome in two stages, from 20 to 24 July 2019 and from 18 to 29 January 2021. Field audits in eight country offices,¹ which were to be conducted in person during the 2020–2021 financial year but were carried out remotely due to the COVID-19 pandemic, also contributed to the drafting of this report. The subject of the audit was critical corporate initiatives (CCIs).
2. Pursuant to a decision made by the Executive Board (hereinafter, the “Board”) on 10 November 2015, external auditing of WFP was entrusted to the First President of the Cour des Comptes of France for the period 1 July 2016 to 30 June 2022, in accordance with financial regulation 14.1 of the WFP Financial Regulations.
3. The External Auditor’s mandate is set out in article XIV of the WFP Financial Regulations and the annex thereto, as well as in the call for applications for the appointment of the External Auditor. The call for applications and the offer of services of the Cour des Comptes, particularly its detailed technical offer, which was approved by the Board, constitute the terms of reference of the mandate.
4. The responsibilities of the External Auditor consist of auditing the accounts of WFP (financial regulation 14.1) and making observations, as it sees fit, with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP (financial regulation 14.4).
5. Pursuant to financial regulation 3.1, the Executive Director is responsible, and accountable to the Board, for the financial management of the activities of WFP.
6. A letter of engagement was drawn up with WFP Secretariat to ensure that, in accordance with international auditing standards, the respective obligations of management and the External Auditor are clearly understood. In addition, before each audit, the External Auditor informs the Secretariat of the scope of the audit activities to be undertaken.
7. This report thus falls within the scope of the annual work plan of the External Auditor submitted to the WFP Executive Board at its 2020 second regular session, in November, which details the audits to be carried out from July 2020 to June 2021. In accordance with the terms of reference, each year the External Auditor must produce an audit report on the financial statements of WFP (to be submitted to the Board for approval), accompanied by an opinion on the accounts, two reports on the performance and regularity of the management of WFP, also known as “performance audit reports” (to be submitted to the Board for consideration), and eight management letters drafted following visits to field offices (regional bureaux and country offices). The External Auditor also validates the draft annual report on the implementation of its previous recommendations, submitted by the Secretariat to the Board for consideration.
8. The audit of WFP critical corporate initiatives was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAI) on performance and compliance audits and the WFP Financial Regulations and the additional terms of reference annexed thereto. The standards require the External Auditor to comply with the applicable rules of professional conduct, exercise professional judgement and demonstrate critical thinking throughout the audit.

¹ Benin, Ecuador, Egypt, Madagascar, Nicaragua, Rwanda, the Sudan and Zambia.

9. The objective of the audit was essentially to examine whether:
 - the CCIs address issues that are strategic for WFP and fall within the definition previously agreed by the Executive Board (relevance review);
 - the process for selecting, implementing and monitoring CCIs is adequately controlled and enables the Board to decide whether to approve them on the basis of sound evidence (governance review);
 - the budgetary framework and funding arrangements for the CCIs are transparent and suited to the needs of WFP (financial management review); and
 - the CCIs have been designed in a way that allows for the measurement of results and a determination of whether their objectives have been achieved (performance review).

10. Given the number of CCIs approved by the Board since 2015 (25), the audit team based its analysis on a sample of five substantive initiatives:
 - Systems integration and IT-enabled efficiencies (2019–2020)
 - United Nations reform (2019–2020)
 - Private sector strategy (2020–2021)
 - WFP 2030 Fund (2019–2020)
 - Regional bureaux priorities (2018)

11. Each observation and each recommendation was discussed with relevant staff, including in particular the staff of the Corporate Planning and Performance (CPP) Division. The audit closure meeting was held at WFP headquarters on 29 January 2021, for which the director of CPP was present.

12. During an audit conducted according to international standards, performance and compliance are examined based on appropriate criteria and the causes of any discrepancies in relation to those criteria are analysed. The aim is to answer the main audit questions and recommend improvements. The first step in the audit is to define the scope of the subject matter in question, which in this case is critical corporate initiatives. This subject matter can take many forms and have different characteristics depending on the audit objective. To be appropriate, the subject matter considered should be identifiable and capable of being coherently measured against the selected criteria and subjected to procedures for gathering sufficient and appropriate audit evidence to support the audit conclusion.

13. To carry out its examination, the External Auditor prepared a logical framework of CCI objectives, comprising immediate, operational and strategic objectives: immediate objectives translate into concrete achievements; operational objectives imply outcomes that call for a more qualitative assessment; and strategic objectives are associated with long-term expected impacts, the analysis of which is more a matter of evaluation. The expected outputs, outcomes and impacts set out in the logical framework constitute the basic criteria for assessing operational performance.

14. The approach of a programme based on a goals logical framework is summarized below.

Logical framework for critical corporate initiatives (CCIs)

Immediate objectives	Operational objectives	Strategic objectives
<ul style="list-style-type: none"> • Make use of the funds in the programme support and administrative equalization account • Select and fund projects that strengthen WFP's administrative and operational capacity • Establish indicators for measuring CCI outcomes • Ensure regional and local involvement in CCI design and implementation 	<ul style="list-style-type: none"> • Strengthen WFP's capacity in the areas of programming, operations and administration • Strengthen the efficiency and performance of indirect support for WFP missions • Supplement the funding of WFP's corporate priorities • Select and fund projects that best address WFP's critical needs with regard to organizational change 	<ul style="list-style-type: none"> • Enable WFP to optimize the use of the resources it devotes to operational administrative support • Strengthen WFP's capacity to respond to crisis situations, which are rising in number • Adjust WFP's capacity in the areas of administration, operations and programming • Enhance WFP's capacity to achieve its strategic objectives
Outputs	Outcomes	Impacts

Source: External Auditor.

15. Owing to the travel restrictions arising from the public health situation, the external audit teams conducted all of their field office audits remotely. The External Auditor is of the view that these constraints did not prevent it from gathering sufficient appropriate audit evidence on which to base its opinion.

II. LIST OF RECOMMENDATIONS

16. The External Auditor has assigned a priority level to each recommendation:

- **Priority 1:** An essential point requiring the immediate attention of management;
- **Priority 2:** A less urgent control issue, requiring management attention;
- **Priority 3:** An issue brought to the attention of management, pertaining to which controls could be improved.

17. In annex 1 to this report there is also a **list of actions** that, without requiring oversight by the Executive Board, are suggested to the Secretariat.

Area	Priority	Recommendations
Relevance	1	1. The External Auditor recommends that the scope of WFP's corporate priorities be clarified and that a detailed strategy for each priority, including expected results and outputs, be developed.
Relevance	1	2. The External Auditor recommends that more attention be paid to how CCIs contribute to the strengthening of WFP's organizational capacity to achieve its strategic goals and objectives, including by configuring the framework used to prioritize investment cases to that end.
Governance	2	3. The External Auditor recommends that the fiscal governance bodies, in particular the Executive Board, be provided with a consolidated statement of WFP investments, both CCIs and non-CCIs, specifying their source of funding.
Governance	2	4. The External Auditor recommends that a standardized and more demanding format for significant investment cases (for investments in general and CCIs in particular) be established to ensure traceability of the decisions of the Strategic Resource Allocation Committee.
Governance	1	5. The External Auditor recommends that a specific decision for each critical corporate initiative – specifying the proposed budget for the CCI, including for staffing, organizational change objectives, expected results and an implementation schedule – be presented in the management plan for approval by the Board.
Governance	1	6. The External Auditor recommends that monitoring of the implementation of CCIs and of investment cases in general be strengthened by introducing, for the most significant cases, a standardized quarterly report to the fiscal governance bodies that allows expenditures to be tracked against the budget, performance indicators and expected outcomes.

Area	Priority	Recommendations
Governance	2	7. The External Auditor recommends that investment cases that involve the continuation of similar past or current expenditures include a specific section on the results already achieved.
Governance	1	8. The External Auditor recommends that an update on CCIs be included in the annual performance report, in a standardized, concise format, showing actual expenditures against the approved budgets in the management plan, including for staffing, and the results achieved.
Financial management	3	9. The External Auditor recommends that internal controls be strengthened to ensure that the expenditures charged to CCIs are directly related to their purpose.
Performance	1	10. The External Auditor recommends that realistic, measurable and achievable performance indicators be established for each CCI.
Local dimension	2	11. The External Auditor recommends that local-level involvement in the deliberations of the Strategic Resource Allocation Committee be increased through the inclusion of regional bureau representatives.

III. OBSERVATIONS AND RECOMMENDATIONS

18. Critical corporate initiatives (CCIs) in their current form were first introduced in the WFP Management Plan (2015–2017).² They are defined as non-recurring investments aimed at “strengthening WFP’s programming, operational and administrative capacity”.³ They must be one-off in nature, and not covered by the regular programme support and administrative (PSA) budget; not be related to a single project; require predictable funding; be unlikely to generate sufficient additional investment from donors through corporate trust funds; and focus on organizational change.⁴

19. Since 1 January 2015, the Executive Board has approved 25 CCIs⁵ (including five implemented over two or three years) for a total of USD 237.5 million.

**Table 1: Key CCI data
(USD million)**

Year	Number of CCIs	Aggregate amount
2015	1	27.2
2016	2	20.0
2017	1	13.5
2018	14	35.6
2019	6	69.3
2020	5	39.7
2021	2	32.2
Total	31	237.5

Source: External Auditor, based on the management plans.

20. CCIs have grown since 2018: while from 2015 to 2017 one CCI per year was implemented on average, for an annual average of USD 20.3 million, that number rose to six CCIs per year for the period from 2018 to 2021, for an annual average of USD 44.2 million.

21. The titles of the CCIs approved by the Board since 1 January 2015 reflect a range of issues, including information and communication systems, regional bureaux, training, implementation of the new nutrition policy, United Nations reform and resource mobilization. The list of approved CCIs is provided in annex 2 to this report.

22. The audit period coincided with an ongoing review of budgetary processes, known as the bottom-up strategic budgeting exercise (BUSBE), which the Secretariat began in June 2020 and will end in November 2021. The exercise includes an analysis of programme support requirements, as well as a review of the sources of funding for those requirements,

² WFP/EB.2/2014/5-A/1.

³ Definition in the WFP Management Plan (2019–2021) (WFP/EB.2/2018/6-A/1/Rev.1), reproduced in the WFP Management Plan (2020–2022) (WFP/EB.2/2019/5-A/1, page 3).

⁴ Criteria set in 2015 in document WFP/EB.A/2015/6-C/1, para. 49.

⁵ See annex 2 – including the *Termination Indemnity Fund*, which the Corporate Planning and Performance Division (CPP) has indicated is not strictly speaking a CCI. In total, CCIs are mentioned 31 times in management plans.

including the PSA budget.⁶ The scope of the exercise may overlap with that of the present audit, and the External Auditor took this into account, bearing in mind that the final conclusions of the exercise were not yet known or formalized at the time of its own investigations.

1. CCI relevance

1.1 Concept of strategic priorities

23. CCIs represent one possible use of the PSA equalization account. This account, which records the differences between WFP's indirect support cost (ISC) revenue and PSA expenses for a given financial period, may be used for four purposes:⁷ to cover any difference between ISC income and approved PSA expenditure; as a reserve that underwrites the risk of decreases in ISC income or underfunding of the PSA budget; to fund critical corporate initiatives or thematic support funds; and to strengthen WFP's reserves.

24. CCIs are referred to as "investment cases" in the sense that they are one-off expenditures that are additional to recurring expenditures, which are referred to as "business cases" and are provided for in the PSA budget. The terms "investment case" and "business case" are not used to differentiate between investment expenditure and operating expenditure, and they can encompass both. In fact, CCIs may entail non-recurring expenditures, but the nature of those expenditures – salaries, travel costs, organization of meetings, training expenses – is indistinguishable from that of WFP's regular operating expenditure. In other words, the terminology used by WFP is not based on a difference between depreciable capital expenditures and non-depreciable expenditures, but rather on the recurring or non-recurring nature of the expenditure. These points are discussed in greater detail in section 3 of this report, on financial management.

25. WFP's Executive Board has set two strategic goals for the organization, ("Support countries to achieve zero hunger" and "Partner to support implementation of the [Sustainable Development Goals] (SDGs)"), which are elaborated in five strategic objectives linked to the 2030 Agenda for Sustainable Development and the SDGs:⁸ 1) End hunger by protecting access to food; 2) Improve nutrition; 3) Achieve food security; 4) Support SDG implementation, and 5) Partner for SDG results.

26. The Executive Director has also defined the organization's corporate priorities, which are reflected in documents approved by the Board. These priorities, reflected in the management plans, refer indirectly to WFP's strategic goals and objectives.

27. The Executive Director's six corporate priorities are set out in the 2019 annual performance report:⁹ leadership in emergencies; partnership and funding for zero hunger; programme excellence; digital transformation; simplification and efficiencies; and strategy, governance and people issues.

⁶ *Update on the Bottom up strategic budgeting exercise* (WFP/EB.1/2021/5-A/1), February 2021.

⁷ WFP Management Plan (2021–2023) (WFP/EB.2/2020/5-A/1/Rev.1), para. 223.

⁸ WFP Strategic Plan (2017–2021) (WFP/EB.A/2016/5-A).

⁹ WFP/EB.A/2020/4-A.

1.2 Alignment with the strategic priorities

28. The Executive Director's corporate priorities are listed in the presentation software¹⁰ for business cases and investment cases, including CCIs, which must be linked to one of these priorities in order to be approved. WFP's strategic goals and objectives are not listed. As a result, CCIs are assessed against resource requirement and managerial priorities (simplification, efficiencies, transformation...) rather than outcome requirements or their link to the strategic goals and objectives (eliminate hunger, improve nutrition, partner for the SDGs). Admittedly, by nature CCIs provide indirect support to operations, but while they are almost never directly linked to strategic objectives, they are designed to strengthen WFP's organizational capacity to support the achievement of the strategic objectives. It would therefore be desirable for an explicit link, even if indirect, to be established between the CCIs and the strategic goals.

29. Furthermore, this framework of resources and managerial priorities is described in general terms (excellence, efficiency, staff issues, etc.) that are not further articulated as clear, specific goals and thus allow virtually any CCI project to be accepted. In most cases, it is the "simplification and efficiency gains" priority that is referred to..

30. This easy solution that sees almost every case referring to a single priority of the Executive Director precludes questions about a 'CCI's relevance to WFP's strategic goals and objectives. It tends to substitute management concerns for the core objectives of WFP and its donors.

31. Yet, four of the corporate priorities are more directly related to WFP's operational mandate: leadership in emergencies; funding and partnership for zero hunger; excellence in programming; and strategy, governance and people issues.

32. It is unfortunate that these other aspects of the framework defined by the Executive Director, which have more strategic implications, are not used more by the Strategic Resource Allocation Committee (SRAC) and the Leadership Group, and that concerns for simplification and efficiency gains tend to dominate. Thus, for the approval of the "United Nations reform" CCI, the project designers and the SRAC and Leadership Group could also have referred to Strategic Goal 2, "Partner to support implementation of the SDGs (SDG 17)", Strategic Objective 4, "Support SDG implementation", and Strategic Objective 5, "Partner for SDG results". The same applies to many other initiatives of this type.

33. By limiting the requirement to justify the CCIs proposed to a purely formal exercise and by systematically referring to a mere obligation of resources, the decision making bodies, namely the SRAC and the Leadership Group, fail to encourage consideration of the proposed CCI or investment as a means of achieving the SDGs prioritized by WFP (SDGs 2 and 17). There is thus a danger of procedural convenience taking precedence over the ultimate goal.

34. CPP, which serves as the secretariat for the SRAC, has undertaken to define criteria for prioritizing investment cases (including CCIs) based on quantitative and qualitative parameters for evaluating the projects submitted.¹¹ One criterion calls for specific reference to one or more of the Executive Director's corporate priorities. Another criterion, "value to country offices", refers to "humanitarian objectives" and "the humanitarian–development–peace nexus", thus recalling WFP's two strategic goals and five strategic objectives, as well

¹⁰ Tagetik software.

¹¹ CPP. 2020. "Prioritization process for ICCs" (internal document). See also section 2 of the present report.

as one of the Secretariat's managerial concerns. The Secretariat has indicated that the prioritization framework was used in the 2021 budget allocation process.

35. In terms of the criteria to be employed by the services proposing investment projects, a balance will need to be struck between strategic goals and objectives on the one hand and managerial priorities on the other.

Recommendation 1. The External Auditor recommends that the scope of WFP's corporate priorities be clarified and that a detailed strategy, including expected results and outputs, be developed for each priority.

Recommendation 2. The External Auditor recommends that more attention be paid to how CCIs contribute to the strengthening of WFP's organizational capacity to achieve its strategic goals and objectives, including by configuring the framework used to prioritize investment cases to that end.

1.3 Alignment with other investments

36. In addition to the CCIs funded from the programme support and administrative equalization account, WFP undertakes non-recurring expenditures (investment cases), with funds from two other sources: first, the PSA budget itself, through the reallocation of available funds; and, second, targeted multilateral contributions.

37. In 2018 and 2019, these investments represented 77 and 147 operations, respectively, and financial commitments of USD 55 million and USD 121 million, respectively. In comparison, there have been an average of six CCIs per year since 2018, for an average annual expenditure of USD 44.2 million, as already indicated above. A review of the 224 non-COI investment cases from 2018 to 2020 shows considerable overlap, if not redundancy, with the CCIs approved and implemented over the same period.¹²

38. These investment cases cover areas that are the same as or similar to those of the CCIs on, for instance, generating additional resources; nutrition; implementation of the Integrated Road Map; regional bureau and country office capacity to respond to changing programme documentation; and technological changes and task automation. Admittedly, many of these investment cases are funded from multilateral contributions and not from the PSA budget, but the similarity of the themes shows that the CCIs are the extension of activities under other budgets, are redundant or are similar but with different names.

39. Even though these various investments are in similar areas, the Board does not have a full picture of them because their sources of funding are different. However, whether an investment is funded by a multilateral contribution, by additional funds from the PSA budget or by funds drawn from the PSA equalization account, it presumably meets a structural need of the organization, and this information should be consolidated and shared to provide the Board with the full picture of WFP's annual strategic expenditures.

40. The Secretariat has indicated that the ongoing work on BUSBE will provide a clearer picture of total funding requirements and allow for all expenditures to be reported in the management plan, regardless of their source of funding.

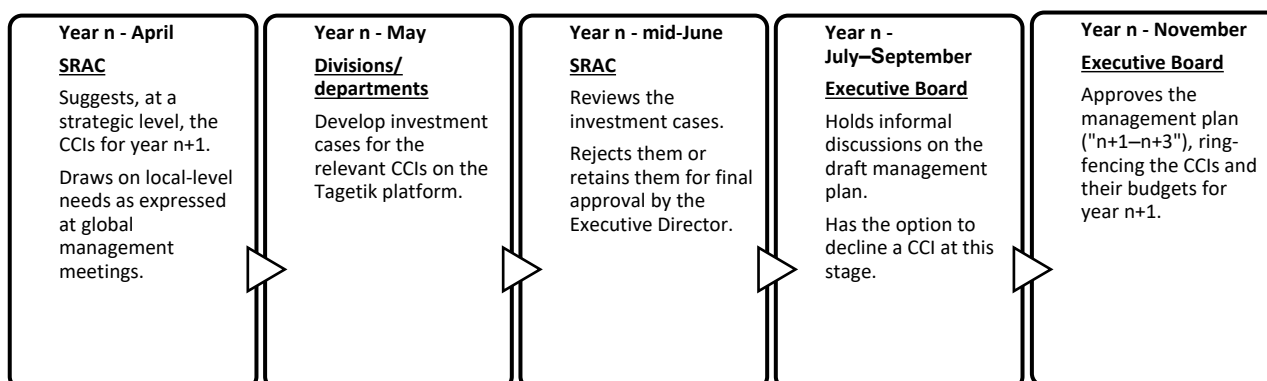
¹² See annex 3.

Recommendation 3. The External Auditor recommends that the fiscal governance bodies, in particular the Executive Board, be provided with a consolidated statement of WFP investments, both CCIs and non-CCIs, specifying their source of funding.

2. CCI governance

2.1 Decision making in the CCI creation process

41. The flowchart below indicates the main steps in the CCI development process:



Source: External Auditor.

42. The SRAC is responsible for designing CCIs prior to their submission to the Executive Board; it is also responsible for implementing them. The SRAC's role includes ensuring that the allocation of financial resources over which management has discretion is coherent, transparent and in accordance with WFP priorities. The SRAC comprises the Assistant Executive Director/Chief Financial Officer, member and chair; the Chief of Staff, vice-chair; the Deputy Executive Director; the three other Assistant Executive Directors department heads; and the Director of CPP as an observer. CPP serves as the secretariat of the SRAC.

43. SRAC members identify issues and topics that could be the subject of a CCI, after having been informed of the projected balance in the programme support and administrative equalization account,¹³ as well as, at least once a year, of the needs expressed by the field offices. Regional and country directors have an opportunity to express their strategic views at the annual global management meetings.

44. Once SRAC defines the CCIs on a strategic basis at the beginning of the year, budgets must be requested for the following year before the CCIs can be submitted to the Executive Board for approval. As CCIs are not funded under the PSA budget, they are processed separately. They are formulated as "exceptional" budget requests¹⁴ through investment cases. This process is intended to enable "*rigorous evaluation of each proposal based on standard criteria covering activities, deliverables, anticipated value-for-money benefits, and total cost of the investment*". The outcome of this process is to be reported in the annual performance report.¹⁵

¹³ Office of the Inspector General. *Advisory Assignment on WFP Corporate Resource Allocation*, June 2019.

¹⁴ CPP. 2020. *Management Plan 2021–2023 Guidelines (internal document)*.

¹⁵ *Progress on the Financial Framework Review, including indirect support costs (WFP/EB.A/2015/6-C/1) 2015*, paras. 48 and 50.

45. The funding request begins with the creation of an investment case on the Tagetik budget platform.¹⁴ The procedure is initiated in May of year “n”.¹⁶ The investment case is submitted for review by the director of the division concerned. Department directors send the SRAC secretariat a prioritized list of approved investment cases for their department. The SRAC reviews the requests in mid-June. It may reject them, request adjustments or add them to a prioritized list for approval by the Executive Director. The approved investment cases are then consolidated within the relevant CCIs, and they are all then incorporated into the draft management plan for the years “n+1–n+3”.

46. The process involves many bodies that are tasked with reviewing and confirming the relevance of the proposed CCIs; although they have different names these bodies tend to involve the same people. Thus, the department directors who initiate, supervise and coordinate the preparation of investment cases are members of the SRAC, which is responsible for allocating resources, but also of the Senior Management Group¹⁷ and the Leadership Group,¹⁸ which are responsible for setting strategic direction.

47. The overlap of the composition of the bodies no doubt has the advantage of streamlining the CCI preparation process: the department directors, having defined at the SRAC level which CCIs would be relevant for year “n+1”, are better able to steer the preparation of the corresponding investment cases.¹⁹

48. Nevertheless, the similarities between, and even the nearly identical composition of, the governance bodies of, major internal initiatives raises questions regarding the separation of functions and the transparency of the decision making process: the department directors inevitably find themselves in the position of being part of both the proposing and the deciding bodies when SRAC is asked to approve investment cases that they themselves have helped to develop. The Chair of the SRAC is no exception to this, as he heads a department that is often the source of budget requests and is in charge of the department that serves as the SRAC secretariat.

49. As fiscal governance was under review as part of the BUSBE exercise at the time of the audit, the External Auditor is not issuing a recommendation in this regard but invites the Secretariat to consider the following possible action.

¹⁶ CPP. 2019. *WFP Management Plan (2020–2022), PSA and extra-budgetary submissions (Budget Planner Information Session)*, Slide 12.

¹⁷ The Senior Management Group is composed of the Executive Director, the Deputy Executive Director, the Assistant Executive Directors, the Chief of Staff, the Deputy Chief of Staff and the Regional Directors. “The Senior Management Group is an advisory body encompassing the Leadership Group and Regional Directors. The SMG focuses on strategic and management issues and how they are operationalized at the field level with a view towards ensuring coherent execution of WFP’s mandate and strategy.” (OED2020/017).

¹⁸ The Leadership Group is composed of the Executive Director, the Chief of Staff, the Deputy Executive Director and the Assistant Executive Directors. “The Leadership Group is a decision-making body at the highest level of the organization responsible for setting strategic direction and the framework for decision-making in accordance with WFP’s mandate.” (OED2020/017).

¹⁹ Also tracked using Tagetik software.

Action for the Secretariat's attention – Fiscal governance – Change the composition of the Strategic Resource Allocation Committee so that it is more clearly distinguishable from the Senior Management Group and the Leadership Group and have it chaired by a member who is not involved in developing investment cases, such as the Chief of Staff.

2.2. SRAC approval of budget requests

50. The review by the SRAC of investment cases submitted to it, including for CCIs, is an important step in screening budget requests for inclusion in the proposed management plan for the coming year.

51. Because of the large number of cases submitted, their prioritization has been a recurring subject of SRAC discussion since 2018.²⁰ The goal is to define a means of discriminating among budget requests to guide decision making. At the time of the audit, departments used a scorecard for rating investment cases before submitting them to the SRAC, based on a mix of quantitative and qualitative criteria with different weights. For a given CCI, the department director compiles the related budget requests from the various divisions under his responsibility and assigns a priority to each request based on the scoring criteria.²¹

52. In general, the SRAC working documents and the minutes and reports of the committee's proceedings are not very informative. They do not allow the decision-making process to be traced from an initiative's origins through to the assessment and evaluation of its investment case. In the case of CCIs it is difficult to assess whether the prioritization process is applied systematically: only one document on the subject was shared,²¹ concerning the budget requests made in 2020 by the Resource Management Department, under the supervision of the Chief of Staff, for the systems integration and IT-enabled efficiencies CCI.

53. The External Auditor also questions the effectiveness of the scoring system used to prioritize investment cases. According to the July 2020 SRAC meeting report,²² there is still a need to drastically reduce the number of investment cases submitted to the committee for review. This is confirmed by documentation from the Resource Management Department prioritizing investment cases for 2020:²³ 40 of the 48 budget requests (83 percent) are assigned at least a "high" priority, and the lowest priority assigned is "medium"; thus none of the requests is classified as low priority.

54. Aside from this prioritization method, the SRAC does not have any additional documentation on which to base its decisions, yet it would need more detailed information on the project's budget and timetable, expected outcomes and performance indicators.

Recommendation 4. The External Auditor recommends that a standardized and more demanding format for significant investment cases (for investments in general and CCIs in particular) be established to ensure traceability of the decisions of the Strategic Resource Allocation Committee (SRAC).

²⁰ Reports of the SRAC meetings of 16 February 2018, 18 June 2019, 11 December 2019 and 7 July 2020.

²¹ Consolidated Scorecard for CCI Systems Integration (2020).

²² SRAC meeting report, 7 July 2020.

²³ Consolidated Scorecard for CCI. Systems Integration and Investment Case Prioritization – Chief of Staff Case Study (2020).

55. To facilitate the implementation of this recommendation, WFP could consider setting a threshold above which an investment proposal would be considered "significant" and therefore require the standardized format, taking into account that WFP's expenditure is USD 8.9 billion and that the average value of CCIs is USD 9 million.²⁴

2.3 Executive Board approval

56. The Executive Board endorses CCIs when it approves the management plan, in which the initiatives are presented.²⁵

57. Indeed, the management plan, which is in a sense informally approved by the Board members during the July and September consultations, is approved as a whole when the Board approves it at its second regular session. As a result, the decision to allocate funds from the PSA equalization account to particular CCIs is not the subject of a specific vote. This limits debate on projects that by their very nature are supposed to be exceptional.

58. Any new decisions on CCIs should be individually presented and validated in the management plan to improve the traceability of the financial commitments involved, the operational targets set and results achieved.

59. Given the need to reduce the size of the management plan, the rationale section for the CCIs approved as a package is generally succinct,²⁶ consisting only of a few short paragraphs in the body of the document providing a general description of each CCI and its allocated budget. No details are provided on the timing of expenditures, the divisions that will benefit from the allocation or the performance indicators, even when the CCI is approved for continuation from the previous year. Only four concept notes have been presented to the Board, in an annex to the WFP Management Plan (2020–2022), notwithstanding that there have been 31 CCIs in management plans since 2015.

60. In particular, the documents presented to the Board provide a partial view of the hiring that result from the CCIs. For example, the CCIs approved between 2018 and 2020 funded 1,286 positions²⁷ and 993 consultants (these were generally part-time positions). The five CCIs examined in this audit funded 245 positions, corresponding to 127.6 full-time jobs, including 92 consultants. There is an almost systematic upward discrepancy between the staff positions presented in the management plans and investment cases submitted to the SRAC and the management reality. For the five CCIs examined more specifically in the context of this audit, the expected variance between planned and actual positions was +14.7 percent.²⁸

²⁴ Source: External Auditor.

²⁵ *This requirement for a Board decision can be deduced in particular from the report entitled "Progress on the financial framework review, including indirect support costs" (April 2015), which indicates that: "the Board: [...] endorses the use of the balance on the Programme Support and Administrative Equalization Account [...] for critical corporate initiatives or thematic support funds".*

²⁶ The private sector strategy CCI is an exception to this. It is part of a larger initiative, the WFP private-sector partnerships and fundraising strategy (2020–2025), with the CCI designed to fund the strategy for the first three years of its implementation, until it is financially sustainable. The CCI was presented in more detail during the Board's consideration of the WFP private-sector partnerships and fundraising strategy (2020–2025). The Board was specifically provided with an expenditure timeline and performance criteria, which were also included in the WFP Management Plan (2020–2022).

²⁷ Data available as at 20 October 2020.

²⁸ The analysis here focused only on staff positions, as data on other employees is not systematically presented in the management plans.

61. The Board's discussions would likely be different if it were presented with a full picture of the expected hiring at the time of approval of these investments.

Recommendation 5. The External Auditor recommends that a specific decision for each critical corporate initiative – specifying the proposed budget for the CCI, including for staffing, organizational change objectives, expected results and an implementation schedule – be presented in the management plan for approval by the Board.

2.4. Implementation and monitoring of approved CCIs

62. To monitor the implementation of the CCIs approved by the Executive Board in the management plan, for each CCI one or two division directors are designated as focal points along with one or two members of the Leadership Group. Steering committees are established for most CCIs, but their operation is not standardized (frequency of meetings, format of monitoring tools, measurement of performance indicators and dissemination of reports), as shown by the sample of initiatives examined.

63. Only the private sector strategy CCI was the subject of periodic updates to the Board, in the form of quarterly reports²⁹ on the trend in performance indicators and progress on deliverables. The systems integration and IT-enabled efficiencies CCI was the subject of a concept note setting out deliverables and performance indicators, based on which the CCI steering committee met four times a year in 2019 and 2020 to monitor progress. The United Nations reform CCI was monitored during meetings of the Change Management Support Team and the Cross-divisional Governance Team.

64. The WFP 2030 Fund CCI was subject to special governance, being organized as a call for country office proposals. Its objectives, the procedure for submitting country office projects and the selection criteria were set out in a concept note, and a selection committee met three times between April 2019 and March 2020 to review the proposals submitted and select some. A follow-up of the projects financed in this context took place in July 2020, covering in particular recommendations regarding the public health situation.

65. It was not possible to determine from the documents available how the regional bureaux priorities CCI was monitored.

Recommendation 6. The External Auditor recommends that monitoring of the implementation of CCIs and of investment cases in general be strengthened by introducing, for the most significant cases, a standardized quarterly report to the fiscal governance bodies that allows expenditures to be tracked against the budget, performance indicators and expected results.

66. Most new investment cases are not accompanied by a clear record of past or current investments, even for an identical case. For instance, the "NYO supporting UN reform" investment case under the United Nations reform CCI was submitted to the SRAC as a funding request in 2019 and in 2020, yet the 2020 investment case did not include an overview section explaining the link with or providing an update on the 2019 case. The two investment cases appear to be two independent budget requests when they in fact deal with the same project spread over two years.

²⁹ *Private Sector Partnerships and Fundraising Strategy 2020 quarterly reports.*

67. The same lack of information is seen in the management plans presented to the Executive Board. The WFP Management Plan (2020–2022), for instance, presents two CCIs continued from the previous year (systems integration and IT-enabled efficiencies and United Nations reform) and three new CCIs, for a total of USD 39.7 million, with two CCIs implemented over two years. No information is provided on the financial implementation of the CCIs that are continuations of previous CCIs.

Recommendation 7. The External Auditor recommends that investment cases that involve the continuation of similar past or current expenditures include a specific section on the results already achieved.

2.5. CCI reporting

68. A CCI update should be provided in the annual performance reports presented to the Executive Board in June of each year for the previous year. WFP's financial framework review states: "Results will be recorded in the Annual Performance Report to strengthen accountability in WFP's performance monitoring process. This will enable performance-informed budgeting in future planning periods."³⁰

69. Yet, CCIs are barely mentioned in the 2018 annual performance report.³¹ The term "corporate initiative" only appears twice, in reference to the systems integration and IT-enabled efficiencies CCI. As this initiative was only launched in 2019, an update could not reasonably be provided at the time the report was issued.

70. The 2019 annual performance report³² clearly lists the CCIs for that year, with their objectives and budget. Nevertheless, the update remains descriptive and appears to reproduce the summary provided in the management plan. There is no mention of either performance indicators or next steps for the CCIs continued into 2020 or a critical assessment of their implementation.

71. There has been no overall multi-year assessment of the CCIs. It is possible that the ongoing review of WFP budgeting methods will provide an opportunity for this. The BUSBE project team, which began its work in the summer of 2020, recently solicited input from various units (divisions and units at headquarters, regional bureaux and country offices) on the definition of WFP's core functions.

Recommendation 8. The External Auditor recommends that an update on CCIs be included in the annual performance report, in a standardized, concise format, showing actual expenditures against the approved budgets in the management plan, including for staffing, and the results achieved.

Action for the Secretariat's attention – CCI updates – Ensure that the bottom-up strategic budgeting exercise includes an assessment of the investment case procedure for critical corporate initiatives and other investments.

³⁰ Progress on the Financial Framework Review, including Indirect Support Costs (WFP/EB.A/2015/6-C/1).

³¹ *Annual performance report for 2018* (WFP/EB.A/2019-4-A/Rev.2).

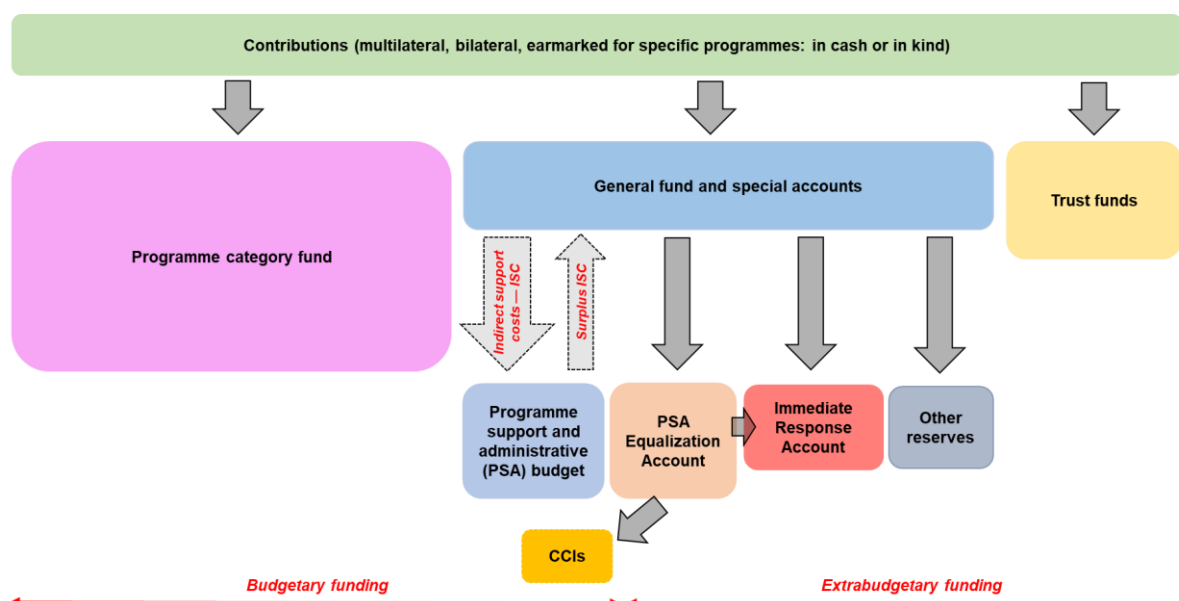
³² *Annual performance report for 2019* (WFP/EB.A/2020-4-A).

3. CCI financial management

3.1 Budgetary framework

72. CCIs are funded through the programme support and administrative equalization account, which in turn is funded by the surplus of ISC revenue over the PSA budget. The equalization account is therefore highly dependent on indirect support cost income. ISC income increased 46 percent from 2015 to 2020, rising from USD 305.2 million to USD 446 million,³³ driven by increased contributions. Over the same period the PSA budget increased by half, from USD 282 million to USD 424 million.

Figure 1: Simplified WFP budget structure



Source: External Auditor.

73. The growth of CCIs from 2015³⁴ did not cause a substantial decrease in the balance in the equalization account, but it did somewhat curb its growth. The account balance increased sharply from 2015 to 2017 (+ 85.7 percent) before decreasing again from the end of 2017 to 2020 (- 9.8 percent). The level of the equalization account, however, has remained consistently above the target level of five months of programme support and administrative expenditures, peaking at nine months of expenditures.

³³ WFP Management Plan (2020–2022), table IV.1, para. 139 (projected).

³⁴ Early extrabudgetary allocations approved by the Executive Board between 2010 and 2014 averaged USD 7.5 million per year compared to USD 34.2 million for CCIs approved between 2015 and 2020.

Table 2: Trend in the programme support and administrative equalization account ceiling (USD million)

	2015	2016	2017	2018	2019	2020
Final approved PSA budget	281.8	290.3	335.4	335.4	385.1	423.6
One month of PSA expenditures	23.5	24.2	28.0	28.0	32.1	35.3
PSA equalization account	138.3	212.4	256.8	247.1	249.5	231.6
Number of months of PSA expenditures	6	9	9	9	8	7

Source: External Auditor – Annual financial statements, statement V for PSA costs and note 2.15 for the PSA equalization account balance.

74. Multiple studies conducted in 2014 and 2015 found that the target level of the PSA equalization account, which had been set at four months of PSA expenditures since 2006, needed to be revised to address the increased risk of a drop in contribution levels. Since the WFP Management Plan (2016–2018), the amount of the equalization account, set annually by the Executive Board, has been between two months (floor) and five months (ceiling) of PSA budget expenditures. It should be noted that this amendment was not reflected in the Financial Resource Management Manual,³⁵ which at the time of the audit still indicated a target level of four months of expenditures, even though the most recent version (available on the intranet) is dated May 2017.

75. The Secretariat has indicated that an updated version of the Financial Resources Management Manual is being prepared and should be published in the second or third quarter of 2021. The External Auditor has taken note of that and therefore has not made a recommendation in this regard.

3.2 CCI scope

76. As noted in section I of this report, WFP distinguishes between two categories of expenditure in its financial management.

77. Although apparently well-understood by managers, the concepts of “business case” and “investment case” are not defined in the organization’s financial instructions. The management plan only refers to investment cases, which are presented as activities that cannot be financed by the recurring PSA resources and must be prioritized for reallocation of PSA resources or extrabudgetary funding.³⁶

78. The instructions issued each year for the preparation of the management plan³⁷ are the only internal documents that mention both concepts. For funding requests within the budget envelopes, departments must use the PSA business case form and indicate the allocation

³⁵ Financial Resource Management Manual, Section 6.7.1.

³⁶ WFP Management Plan (2018–2020) (WFP/EB.2/2017/5-A/1/Rev.1), para. 348: “Investment cases made by departments for activities that could not be funded through the regular PSA budget were prioritized for reallocation of recurring PSA resources, non-recurring PSA funding or corporate trust funds. Decisions took into account corporate priorities, the potential to attract donor funding and the extent to which some level of future funding could be assured.”

³⁷ See the instructions entitled “Guide to the completion of the 2015 PSA and extrabudgetary requirements for the 2015–2017 WFP Management Plan” and “Investment case templates for extra-budgetary requirements, Management Plan 2015–2017”.

forecasts for the next three years. For all other funding requests, departments must use the investment case form, which should indicate the anticipated source of funding (PSA budget supplemental allocation, SRAC allocation or direct donor contribution).

79. The ambiguity of these terms and what they cover should be rectified. The uninformed reader of management plans could understand “investment cases” (ICs), including CCIs, to be capital investments for the organization, yet while they may (but not always) involve non-recurring expenditures, they are virtually never investments in the accounting and financial sense, meaning the creation of fixed assets, and still less depreciable fixed assets.

80. International Public Sector Accounting Standard IPSAS 17 defines property, plant and equipment (investments) as items that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes; and expected to be used during more than one reporting period.³⁸

81. It would seem desirable for WFP to use investment terminology in its budget documents that is more aligned with commonly accepted concepts so as to avoid any ambiguity, including for the Board, regarding the true nature and scope of the organization’s “investment cases”.

82. In reality this informal construct, which is insufficiently informative for the Executive Board, arises from the lack of a clear distinction in the PSA budget between operating expenditures, understood as recurrent expenses, and investment cases, understood as non-recurrent expenditures. In addition, aside from CCIs, WFP makes many “investments” that are funded from the PSA budget. These additional investment cases are decided on by the SRAC and the Leadership Group within the annual budget, based on the surplus resources available, not by the Executive Board, which does not specifically approve them.

83. The Secretariat has indicated that at the end of the bottom-up strategic budgeting exercise it expects to issue comprehensive guidelines that will include definitions of all relevant terms. The concepts of business case and investment case may not be retained and were in fact dropped for the preparation of the management plan for 2022–2024. In the light of this information, the External Auditor is not issuing a recommendation, but encourages the Secretariat to make substantial progress in this clarification exercise and to report on it.

Action for the Secretariat’s attention – Financial management – (1) Ensure that the Financial Resources Management Manual is updated, particularly with regard to the target level of the programme support and administrative equalization account and the definition of business cases and investment cases and clarify the concept of investment in the management plan. (2) Consider proposing a programme support and administrative budget for regular programmes that clearly distinguishes, with regard to each strategic objective, between capital expenditures (non-recurring expenditures) and operating expenditures (recurring expenditures), with an estimated overall allocation and a provisional list of planned investments.

³⁸ <https://www.ifac.org/system/files/publications/files/ipsas-17-property-pla.pdf>.

3.3 Financial implementation

- Staff costs

84. Analysis of the sample of five CCIs selected for the audit³⁹ shows that the resources mobilized financed 245 positions at headquarters (57 percent) and in the regional bureaux and country offices (42 percent), representing the equivalent of 127.6 full-time jobs over the period from 2018 to 2020.

85. While 7 out of 10 jobs (92.4 out of 127.6) corresponded to consultant contracts, 14 percent of the positions were filled by staff members at various levels of responsibility: senior management, middle management and line staff. The staff costs are for permanent positions within the organization, however, and are by nature a recurrent expenditure, as the staff in these positions were not hired specifically and temporarily to work solely on the implementation of a particular initiative.

86. A WINGS extraction encompassing all CCIs approved or implemented during the period 2018–2020 shows that 13 senior management positions were funded by resources allocated to the CCIs. The Secretariat was able to describe the tasks performed by the staff in each of these 13 positions and to show how they were involved in CCI implementation (United Nations reform, Integrated Road Map, etc.). It does not consider the funding of staff in permanent positions within the organization with one-off resources from the PSA equalization account to be a departure from budgetary rules. Indeed, the assignment of permanent staff to the CCIs does not automatically entail a recurrent expenditure, as WFP may need to employ a permanent staff member temporarily in a CCI owing to the skills required.

87. The External Auditor is of the view that this practice should be limited to avoid exposing the organization to the risk of distorting the CCIs, for instance if they were used to assign international staff awaiting permanent assignment and became a personnel management tool rather than a means of strengthening WFP's capacity.

- Non-staff costs

88. Non-staff costs comprise current expenditures such as mission expenses, procurement of supplies and fees paid to consultants. More than 56 percent of the expenditures under the five CCIs were reviewed during the audit. The non-staff costs reviewed were generally consistent with the nature of CCIs, which are intended to be one-off and focused on organizational change.

89. There were expenditures that fell outside this focus, however. For example, for the "regional bureaux priorities" CCI, some expenditures, while modest, were surprising and even unrelated to the long-term investment objectives of a CCI: one country office⁴⁰ used the funds received to cover routine operating needs. Furthermore, expenditure items are often unidentified and are simply labelled as "invoices". In the case of the WFP 2030 Fund, the allocation for the Côte d'Ivoire office did not appear to fall within the scope of the CCI, which is the allocation of funds to country offices to enable them to launch innovative initiatives in the implementation of country strategic plans. The allocation was used to purchase personal protective equipment in the context of the COVID-19 pandemic, an expenditure that should have been covered by an investment case funded from available PSA budget resources. CCIs were also used in connection with emergency measures taken by the SRAC to meet

³⁹ See the list in the "Objective, scope and approach of the audit" section.

⁴⁰ Guinea country office.

exceptional funding needs for activities in certain countries. For example, two investment cases totalling USD 521,670.44 were approved for the Nicaragua country office to avoid an interruption in funding for its main activity, school feeding.

Recommendation 9. The External Auditor recommends that internal controls be strengthened to ensure that the expenditures charged to CCIs are directly related to their purpose.

4. CCI performance

90. According to the circular on the operation of the SRAC,⁴¹ the allocation of financial resources over which management has discretionary authority must be coherent, transparent and clearly linked to performance criteria. Performance, in the sense of a project's capacity to achieve its intended outcomes, is therefore supposed to be an overriding criterion in the allocation of resources.

4.1 Accounting for performance in CCI selection

91. The SRAC meeting reports examined do not provide details of CCI selection and therefore of any practical discussion of key performance indicators used during selection. The use of performance criteria does not appear to be systematic.

92. Not all investment cases include performance indicators. Seven investment cases (33 percent) out of a sample of 21 submitted to the SRAC⁴² did not include them.

93. The format of the indicators defined in the investment cases varies, with some being limited to means rather than results, as in the case of the United Nations reform CCI (number of country offices visited, number of presentations made to management, etc.). The WFP 2030 Fund CCI has an indicator (number of reports produced versus number of activities funded), but it is for monitoring project progress rather than outcome.

94. In the management plans, the descriptions of the CCIs submitted for approval are quite general, with the exception of the management plan for 2020–2022, which provided details of the year's CCIs in the form of "concept notes" with objectives, timelines and budgets. This approach remains the exception, however, as evidenced by the very generic presentation of the objectives for the regional bureaux priorities CCI in the management plan for 2018–2020 ("strengthening the capacity of regional bureaux to adapt to the new way of working"), with no predefined indicators. The same was true for the Workforce 2020 CCI ("ensuring that WFP's staff is appropriately managed") and the WFP 2030 Fund CCI ("finance actions that bridge the gap between WFP's previous and its new ways of working with a view to positioning WFP so that it can deliver transformative CSPs"). In some cases, concept notes describing these objectives were prepared but were not included in the management plan.

4.2 Monitoring implementation

95. As indicated in section 2.4 of this report, steering committees are set up to monitor the implementation of most CCIs. The functioning of these committees is not standardized, however, particularly with regard to the measurement of performance indicators and the

⁴¹ *Strategic Resource Allocation Committee (SRAC) Governance Structure (OED2020/014)*.

⁴² Digital case files presented to the audit team.

dissemination of reports. Moreover, sometimes indicators other than those set out in the investment cases are tracked.

96. Even when defined ahead of time, key performance indicators are not systematically tracked. While there are scorecards for some CCIs it is impossible to draw conclusions from them regarding the effectiveness of the results analysis and monitoring process for all CCIs.

97. CCI performance monitoring tends to be based on monitoring project progress and budget execution rather than on established performance indicators. This may be sufficient to assess the effectiveness of the CCIs but not the efficiency of the resources allocated to it. For example, the systems integration CCI is included in various budget tracking tables. The minutes of relevant meetings and associated presentations show that its results are monitored in terms of milestones or expected outputs, without the use of predefined quantified indicators.

98. Where performance is monitored (United Nations reform, systems integration, private sector strategy), reporting is inconsistent. Monitoring seems to be done by the CCI implementation teams, with no real external oversight. The scorecards do not always mention their author, and nothing is said about the communication of the scorecards.

99. The investment case documents describing the CCIs sometimes provide monitoring information, particularly for CCIs that are continuations of pre-existing projects. For example, the investment case for the New York office support for United Nations reform cites the first year's achievements (number of notes, number of missions, etc.), but most investment cases stop short of providing a full picture, at best mentioning some of the activities completed or still under way.

100. Performance indicators for the CCIs could provide relevant input for the annual performance reports, which are by definition where WFP's results should be tracked. Yet the 2019 annual performance report mentions only six CCIs in a one-page box.

101. The reports of the SRAC meetings reflect discussions focused on reviewing future projects but not initiatives already approved, with the exception of a quarterly follow-up on the United Nations reform CCI. It would, however, be desirable to have the benefit of lessons learned from previous experiences when deciding on new investments.

Recommendation 10. The External Auditor recommends that realistic, measurable and achievable performance indicators be established for each CCI.

Action for the Secretariat's attention – Performance monitoring – Establish standardized tracking sheets for all CCIs that make it easier for steering committees to monitor and track the results of projects as well as monitor their progress.

5. Local dimension of CCIs

5.1 Field involvement

102. The survey of regional bureaux and country offices⁴³ indicates that country offices have little knowledge of the areas covered by CCIs and the expenditures they fund in the field.

103. Country and regional directors voice field concerns at the global management meeting but are not otherwise involved in CCI development. It is the responsibility of headquarters, and in particular the Senior Management Group, to take these needs into account and make recommendations to the SRAC regarding their translation into CCIs. Apart from this, discussions between country offices and headquarters are rare unless the country office is selected by headquarters to participate in a trial. Interactions between regional bureaux and headquarters are on the other hand more frequent.

104. Apart from a few exceptions, CCIs tend to be top-down in both design and implementation. The WFP 2030 Fund CCI, launched in 2019 for a two-year period, is fundamentally a call for projects aimed at country offices. It focuses on the redefinition of the scope of the activities of the country offices in their respective countries.

5.2 Resource concentration

105. From 2018 to 2020, 21 CCIs were launched,⁴⁴ representing a cumulative amount of USD 120.6 million, of which 17.2 percent was allocated directly to the local level, with a fairly even balance between regional bureaux (8.1 percent) and country offices (9.1 percent). Eight out of 10 CCIs did not involve any local-level allocations, confirming the centralized nature of these investments. From 1 January 2018 to 20 October 2020, CCIs financed 1,286 positions. While overall the decentralization of CCI appropriations was fairly low (17.2 percent), almost half of the positions created under the initiatives were in the field (47 percent).

106. These figures illustrate a gap between the importance of CCIs for field operations and their relatively limited involvement in CCI development and implementation, the exception being the bottom-up approach taken for the WFP 2030 Fund CCI. Aside from the global management meeting, there is a dearth of representation from the field in WFP governance bodies. Yet, CCIs are aimed at optimizing the operations of WFP, whose activities are primarily focused on the countries where it operates. More field involvement in CCI governance is all the more necessary given that some projects may require local adjustments.

Recommendation 11. The External Auditor recommends that local-level involvement in the deliberations of the Strategic Resource Allocation Committee be increased through the inclusion of regional bureau representatives.

⁴³ See annex 4.

⁴⁴ Not taking into account the CCIs already in progress.

IV. ACKNOWLEDGEMENTS

107. The audit team would like to express its sincere thanks to all the WFP staff it met with during its audit for their excellent cooperation and availability. It would like to thank in particular the Corporate Planning and Performance Division and the field offices whose directors agreed to share their perspectives and experience.

End of audit observations.

ANNEXES

Annex 1: Possible actions for the Secretariat¹

1. Fiscal governance – Change the composition of the Strategic Resource Allocation Committee so that it is more clearly distinguishable from the Senior Management Group and the Leadership Group and have it chaired by a member who is not involved in developing investment cases, such as the Chief of Staff.
2. CCI updates – Ensure that the bottom-up strategic budgeting exercise includes an assessment of the investment case procedure for critical corporate initiatives and other investments.
3. Financial management – Ensure that the Financial Resources Management Manual is updated, particularly with regard to the target level of the PSA equalization account and the definition of business cases and investment cases and clarify the concept of investment in the management plan.
4. Financial management – Consider proposing a programme support and administrative budget for regular programmes that clearly distinguishes, with regard to each strategic objective, between capital expenditures (non-recurring expenditures) and operating expenditures (recurring expenditures), with an estimated overall allocation and a provisional list of planned investments.
5. Performance monitoring – Establish standardized tracking sheets for all CCIs that make it easier for steering committees to monitor and track the results of projects as well as monitor their progress.

¹ These actions suggested to the Secretariat complement the recommendations listed at the beginning of the report without requiring a follow-up report to the Executive Board.

Annex 2: List of CCIs approved by the Executive Board since 2015

Management plan	CCI	Budget (USD million)	Total (USD million)
2015–2017	Fit for purpose (year 1)	27.2	27.2
2016–2018	Fit for purpose (year 2)	17.0	20.0
	Cost excellence	3.0	
2017–2019	Integrated Road Map (year 1)	13.5	13.5
2018–2020	Create learning programme for country directors and heads of sub-offices	0.4	35.6
	COMET monitoring module	1.2	
	INTTRA-based shipment data management solution	0.4	
	Integrated Road Map (year 2)	14.0	
	Regional bureaux priorities	1.6	
	Enterprise risk management and strengthening of internal controls	5.0	
	Cash-based transfers	5.0	
	Ensuring effective documents and information management	0.3	
	Supporting implementation of the new nutrition policy	0.4	
	Resource mobilization	3.0	
	Digital mobile platforms	2.0	
	Brand-building for public engagement: goodwill ambassadors	1.5	
	Reinforcing centralized evaluation coverage	0.4	
	Expansion of the Executive Board website	0.4	
2019–2021	Integrated Road Map (year 3)	10.0	69.3
	Workforce 2020	11.1	
	WFP 2030 fund	15.0	
	United Nations reform (year 1)	8.2	
	Cash and the digital platform	20.0	
	Systems integration and IT-enabled efficiencies (year 1)	5.0	
2020–2022	United Nations development system reform (year 2)	8.1	39.7
	Systems integration and IT-enabled efficiencies (year 2)	11.0	
	Programme and partnership support initiative	2.5	
	Private sector strategy (year 1)	13.1	
	Workplace culture and ethical climate	5.0	
2021–2023	Private sector strategy (year 2)	22.2	32.2
	Termination indemnity fund	10.0	

Annex 3: Examples of investment cases that resemble CCIs, 2018–2020

DIV	IC CODE	DESCRIPTION	Amount (USD)
NUT	IC_PD_NUT_6	Implementation of the new nutrition policy	426 000
PRO	IC_PD_PRO_35	Programme staff skills development – rolling out the IRM	500 000
CBT	IC_PD_CBT_2	Cash and the digital platform	500 000
INK	IC_PD_INK_19	Delivering the Secretary-General's vision: repositioning the United Nations development system	329 659
INK	IC_PD_INK_20	Greater efficiencies in supply chain using blockchain	213 250
RM	IC_RM_RM_12	Supporting United Nations reform efforts (BIG – RM+FIN)	180 000
RM	IC_RM_RM_8	United Nations reform – Staff costs and travel	180 000
HRM	IC_CCH_HRM_1	IRM/HR organizational alignment	1 700 000
RBD	IC_RBCO_RBD_28	Strengthen country office and regional bureau capacity (MULT Fund)	261 135
RBJ	IC_RBCO_RBJ_10	Strengthen country office and regional bureau capacity (MULT Fund)	310 566
RBC	IC_RBCO_RBC_10	Strengthen country office and regional bureau capacity (MULT Fund)	292 660
RBN	IC_RBCO_RBN_6	Strengthen country office and regional bureau capacity (MULT Fund)	222 775
INK	IC_PD_INK_5	Share the Meal scale-up (Pro-rata)	1 557 375
BRU	IC_PA_BRU_1	Increased fundraising capacity	615 240
TEC	IC_RM_TEC_1	Continued SCOPE cash transfer and in-kind scale-up	1 253 667
NUT	IC_PD_NUT_5	OSN – WFP nutrition leadership)	940 000
CBT	IC_PD_CBT_3	CBT institutionalization	1 239 290
CBT	IC_PD_CBT_4	CBT Data Assurance & Competency Centre	2 397 300
PRO	IC_PD_PRO_33	Country capacity strengthening – WFP readiness	1 472 880

Source: Corporate Planning and Performance Division.

Abbreviations: BRU: Brussels Office; CBT: Cash-Based Transfers Division; HRM: Human Resources Division; INK: Innovation and Knowledge Management Division; NUT: Nutrition Division; PRO: Programme – Humanitarian and Development Division; RM: Resource Management Department. TEC: Technology Division.

RBC: Regional Bureau for the Middle East and Northern Africa; RBD: Regional Bureau for Western Africa; RBJ: Regional Bureau for Southern Africa; RBN: Regional Bureau for Eastern Africa;

Annexe 4: Summary of the survey of regional bureaux and country offices

1. In the field, knowledge of the CCIs (purpose, objectives, status) is very general and is concentrated at the highest organizational levels (management).
2. With very few exceptions, offices are not able to cite the main documents (e.g. covering memorandum, guidance notes, reports) for each of the CCIs approved since 1 January 2018. The WFP 2030 Fund CCI seems to be the best known, in particular thanks to the dissemination by headquarters of a guidance note dated December 2019 presenting the objectives and means of implementation of this call for projects.
3. The regional bureaux and country office staff interviewed were not easily able to make the link between activities led by headquarters or by their offices and specific CCIs.
4. Regional bureaux are more involved than country offices in CCIs, whether at the development, resource allocation or implementation stages. The regional level appears to be the best level to lead projects that benefit more than one country office. With the exception of the WFP 2030 Fund CCI, CCIs very rarely fund projects led directly by country offices.
5. CCI resources allocated to regional bureaux often fund additional or temporary positions.
6. The contribution of CCIs is most obvious in two areas, information systems and United Nations reform, through the implementation of concrete activities, improvements in process management and the provision of tools that allow for better management of field activities.
7. Paradoxically, country offices are not very aware of the private sector partnership CCI, which aims to increase the volume of donations from individuals, even though some of them have already been practicing this approach, in some cases for several years (Nicaragua).
8. There is a lack of clarity regarding some of the CCI resource allocations.
9. The responses raise questions about the links between the WFP 2030 Fund and other CCIs, given the broad scope of projects eligible for this fund (“initiatives that expand/diversify the partnership/donor base”, or “United Nations reform initiatives that support WFP country office repositioning”).
10. Some CCIs have diverged from their original focus, which is supposed to be organizational change, as a result of the emergency measures taken by the SRAC to meet exceptional funding needs for activities in certain countries. For example, two investment cases totalling USD 521,670.44 were approved for the Nicaragua country office to avoid an interruption in funding for its main activity, school feeding.
11. The COVID-19 pandemic has had an impact on the timeline for the WFP 2030 Fund CCI, which explains the low implementation rate seen at the end of 2020 and the carryover of funding to 2021: in the sample studied, the level of actual 2020 expenditures compared to the budget was 57.7 percent.

Acronyms

BUSB	bottom up strategic budgeting exercise
CCI	critical corporate initiative
CPP	Corporate Planning and Performance Division
ISSAI	International Standards of Supreme Audit Institutions
ISC	indirect support costs
PSA	programme support and administrative (budget)
SDG	Sustainable Development Goal
SRAC	Strategic Resource Allocation Committee