



**World Food Programme**

**Programme Alimentaire Mondial**

**Programa Mundial de Alimentos**

**برنامج الأغذية العالمي**

**Internal Audit of WFP's Forward Purchase Facility (AR/14/18)**

November 2014

### **Management Comments:**

WFP Management appreciates the observations and recommendations made by the Office of the Inspector General through this audit report on WFP's Forward Purchase Facility covering the period from January 2013 to December 2013. The satisfactory audit is considered to be a significant achievement and a testimony of good risk management practices for managing the Forward Purchase Facility (renamed in 2014 as the Global Commodity Management Facility).

Following the Executive Board approval of the increase in Forward Purchase Facility (WFP/EB.A/2012/6-B/1), a risk mitigation plan was established for the inherent risks and appropriate policies, systems and procedures were established to realize the main objective of improving the supply lead time. WFP Management is pleased to note that the Office of the Inspector General has confirmed the achievement of key performance indicators for the Forward Purchase Facility such as: (i) 71 percent improvement in the average supply lead time; and (ii) an estimated USD 23.5 million of savings in 2013.

WFP Management is pleased that the audit recommendations are in line with the management actions that had been initiated earlier this year for further strengthening of the Forward Purchase Facility's governance mechanisms, systems and processes. A number of actions which were recommended by the Office of the Inspector General, are completed, such as: (i) separating Forward Purchase Facility from the Working Capital Facility; (ii) automation of data inputs for demand planning; and (iii) developing a corporate sourcing and supply strategy. Action is being undertaken for the implementation of other recommendations.

WFP Management notes with appreciation the audit team's recognition that not only the key objectives of the Forward Purchase Facility were achieved, but a number of additional best practices evolved through this Facility. Some of them as noted by the Office of the Inspector General are: (i) effective cooperation across departmental business units in a Supply Chain Working Group, ensuring better planning coordination and execution of demand and supply actions; (ii) establishing innovative sourcing tools such as forward supply agreements; and (iii) establishment of global processes for better planning information.

Overall, based on the results of this audit and following the corrective actions implemented or in the process of being implemented, WFP Management is reassured that the Forward Purchase Facility is successfully managed through adequate and appropriate controls and risk management practices.