RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration

REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS

NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration.

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

Mr M. Juneja
Assistant Executive Director
Resource Management Department and
Chief Financial Officer
tel.: 066513-2885

Mr N. Nelson
Director
Finance and Treasury Division
tel.: 066513-6410

Ms T. Tropea
Chief
General Accounts
tel.: 066513-2426

DRAFT DECISION[*]

The Board takes note of "Report on the Implementation of the External Auditor Recommendations" (WFP/EB.A/2015/6-I/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
wfp.org

1. This report sets out WFP's progress in implementing the recommendations made by the External Auditor in reports to the Board. It includes recommendations outstanding at the Board's 2014 Annual Session (WFP/EB.A/2014/6-I/1) and those in:

   ➢ Report of the External Auditor on Food Procurement in WFP (WFP/EB.A/2014/6-G/1)

   ➢ Report of the External Auditor on United Nations Humanitarian Response Depot (WFP/EB.A/2014/6-H/1)

   ➢ Audited Annual Accounts, 2014 (WFP/EB.A/2015/6-A/1)

2. Table 1 shows progress in implementing the External Auditor's recommendations during the reporting period. The matrix following the table includes the External Auditor's comments on all recommendations that WFP has implemented.

TABLE 1: IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR, 2010–2015					
Audit report	Date	Outstanding audit recommendations in the previous report	Recommendations completed to date	Recommendations incomplete to date	% complete
Report of the External Auditor on the Strategic Planning and Reporting at a WFP Country Office – Uganda	February 2010	1	-	1	-
Audited Annual Accounts, 2010	June 2011	1	-	1	-
Report of the External Auditor on Management of Projects	October 2011	2	-	2	-
Report of the External Auditor on the Management of Human Resources	June 2012	8	5	3	63
Report of the External Auditor on Working with Cooperating Partners	June 2013	4	2	2	50
Report of the External Auditor on the Use of Cash and Vouchers	June 2013	9	5	4	56
Audited Annual Accounts, 2013	June 2014	5	3	2	60
Report of the External Auditor on Food Procurement in WFP	June 2014	9	-	9	-
Report of the External Auditor on United Nations Humanitarian Response Depot	June 2014	12	4	8	33
Audited Annual Accounts, 2014	May 2015	2	-	2	-
TOTAL		**53**	**19**	**34**	**36**

WFP
wfp.org

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
**Report of the External Auditor on the Strategic Planning and Reporting at a WFP Country Office – Uganda (WFP/EB.1/2010/6-D/1)**
1.	**Recommendation 8** Establish cost-effective, consistent and reliable methodologies for measuring and validating the number of individuals assisted by projects.	The task force on beneficiary counting and costing is improving methods for measuring and validating numbers of direct and indirect beneficiaries and is finalizing a work plan outlining deliverables, responsibilities and timelines. The COMET implementation module, including a streamlined process for beneficiary counting, will be piloted in mid-2014 in one region and is expected to go live by December. See also the response to Recommendation 9 of "Report of the External Auditor on Management of Projects".	The country office monitoring and evaluation tool (COMET), to be rolled out in all regions in 2015, will provide rapid centrally managed counts and validation of beneficiary numbers. In progress.	December 2015	We note that COMET is being rolled out as a step towards a more reliable method for beneficiary counting.
**Audited Annual Accounts, 2010 (WFP/EB.A/2011/6-A/1)**
2.	**Recommendation 7** WFP may implement the Information Security Management System for WINGS II. A definite timeframe may also be fixed for operationalization of the Logistics Execution Support System (LESS) and the associated phase out of the SAP-COMPAS Interface.	**Information Security Management System (ISMS)** The Inspector General's internal audit report on baseline security in WFP's Enterprise Resource Planning (ERP) system, issued in November 2013, addresses ISMS domains. As recommended in the report, policies and control functions comprising a governance framework for WFP Information Network and Global System (WINGS) will be regulated by an information technology (IT) governance body. Full implementation is expected by the end of 2014. The IT Division and the Management Information Systems Steering Committee will take into account internal and external audit recommendations with a view to finalizing an ERP security framework by the end of 2014.	**ISMS** The Management Information Systems Steering Committee agreed in July 2014 to form a WINGS security governance working group, for which the Information Technology Division has prepared terms of reference for approval. In progress.	June 2015	We acknowledge the actions under way for implementation of ISMS. .

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
		LESS The Executive Director has endorsed the implementation of LESS and it is included in the Management Plan (2014–2016); roll out is expected to be completed by 2016.	**LESS** LESS was deemed implemented in EB.A/2015.		
Report of the External Auditor on Management of Projects (WFP/EB.2/2011/5-D/1)					
3.	**Recommendation 1** Funds for baseline studies, needs assessment and evaluation, should be set aside and mandatorily utilized. Where felt necessary, corporate funding not linked to project funds, should be provided for these activities.	The draft monitoring and evaluation (M&E) strategy for 2014–2017 was completed and circulated in December 2013. The strategy includes proposals for "ring fencing" project funds for M&E and for additional corporate funding to support M&E work such as baseline studies and evaluation.	In November 2014 the Executive Management Group established a task force to ensure sustainable financing of assessment, monitoring and evaluation of the 2014–2017 M&E strategy at the Headquarters, regional and country levels. In progress.	December 2015	We recognize the steps underway to address the issue of corporate funding for baseline studies, needs assessment and evaluation of projects and will await further action.
4.	**Recommendation 9** The method of beneficiary counting should also include measurement of beneficiary days or meal days, which together will provide a sounder basis for determining outcomes and achievements.	The COMET implementation module, which the Secretariat plans to roll out by the end of 2015, will include ration planning, assistance days and beneficiary counts, and thus will enable tracking and reporting on feeding days. There has been a phased approach to testing the COMET implementation model. Phase I covered selected country offices that had M&E databases in place. In Phase II the system was tested; adjustments are being made based on the results. The system will be piloted in one region in 2014, with roll-out to the same region expected by the end of 2014. A task force (see response to recommendation 8) is developing improved methods for counting direct and indirect beneficiaries, with rules governing minimum feeding days and rations for beneficiary status.	Following a study of food for assets, the task force on beneficiary counting and costing is developing cost-per-ration metrics, which will be reflected in the 2014 Annual Performance Report. In progress.	December 2015	We await tracking of beneficiary assistance in terms of meal days as a more realistic basis for determining project outcomes.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
Report of the External Auditor on the Management of Human Resources (WFP/EB.A/2012/6-F/1)					
5.	**Recommendation 1** The Structure and Staffing Review (SSR) must be integrated with the 5-year country strategy and with the staffing projections across individual project plans. Comprehensive SSRs encompassing non-staff requirements (including consultants) should guide the overall deployment in the field offices.	As part of the review of Service Contracts, WFP offices will undertake SSRs with a view to gradually establishing national fixed-term contracts as appropriate. International positions (professional, short-term, and consultant) will be reviewed with a view to a cost-neutral transition. After a pilot in two country offices, the Executive Management Group will launch SSRs in all WFP offices. The Human Resources Division (HRM) will review the SSR toolkit, in consultation with the Union of General Service Staff and the Professional Staff Association to ensure that it is adapted to WFP's changing needs. The SSRs will take into consideration country strategies, projects and programmes.	The SSR toolkit was published after consultations with the Ombudsman, the Ethics Office and the staff associations for use at Headquarters and country offices levels. It will inform the five-year country strategic plans and applied when country-level operations change.	Implemented	We recognize management's actions in finalizing the SSR toolkit for use at Headquarters and country office levels as part of five-year country strategic plans, to be applied when country-level operations change.
6.	**Recommendation 3** Corporate workforce plan must be supported by an assessment on the benefits and risks of high dependence on short-term contracts in relation to funding trends in country offices over a multi-year period. The controls that mitigate the risks should also be identified.	WFP's workforce planning strategy is part of the People Strategy.	The benefits and risks have been assessed. To mitigate the risk of losing short-term employees' knowledge, a talent pool has been established that targets short-term staff, consultants and national professional staff, in line with WFP's workforce planning. The talent pool is a component of the People Strategy approved at EB.2/2014.	Implemented	We acknowledge that action has been initiated to establish a talent pool in line with the People Strategy.

	External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
7.	**Recommendation 4** WFP should set in place oversight to provide an assurance that the position grades approved in each project conform to the standard classification and that the decisions are not driven by funding projections alone.	The Hay Group is assisting HRM in a review of generic job profiles to ensure that they are relevant and correctly graded, with benchmarks to facilitate selection of profiles and reinforce accountability.	WFP and the Hay Group reviewed generic job profiles, identifying accountabilities and career planning options. New service job descriptions issued in November 2014 updated duties and responsibilities to match position grades.	Implemented	We note that a review of generic profiles was carried out to ensure that position grades approved in each project conformed to the standard classification.
8.	**Recommendation 5** Human Resources Division should establish key performance indicators (KPIs) on the health of HR management in the field offices and establish a threshold above which an on-site review would be conducted. A process to periodically inform the top management on the results thereon should also be put in place.	The HRM annual work plan includes KPIs that are incorporated into country and regional work plans. The KPIs are being revised in line with the People Strategy.	KPIs were reviewed and issued to country offices. Communication in HRM has improved, with monthly teleconference meetings with regional managers. The Director of HRM, who is a member of the Executive Management Group, has reported regularly on HRM initiatives and KPIs to senior management. Reviews are conducted regularly by regional HR offices, and when triggered by KPI performance. HRM retreats for senior staff at regional bureaux and Headquarters are held twice a year to share results and best practices.	Implemented	We note the review of KPIs and the reporting on HRM initiatives and KPIs to senior management.
9.	**Recommendation 6** A time-bound plan for expeditious completion of the corporate workforce plan and its implementation must be prepared.	A new approach to the corporate workforce plan is being developed in line with the People Strategy.	Following approval of the People Strategy in November 2014, the corporate workforce plan is being developed for implementation by the end of 2015. In progress.	December 2015	We note that action is underway for completion of the revised corporate workforce plan and urge Headquarters to complete it as soon as possible.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
10.	**Recommendation 13** WFP must develop a learning policy for continuous capacity-building of staff and its integration with work processes.	The Women's Development Leadership Programme started in late 2013. The Capability Framework is in the design phase and is expected in late 2014.	The HRM capability development team is setting up a consistent learning approach covering WFP's various locations and functional units; completion is anticipated by December 2015. Learning needs are identified according to the capabilities required to achieve WFP's Strategic Objectives and to maintain the effectiveness of operations. In progress.	December 2015	Noted. We await further action on developing a learning policy for capacity-building of staff.
11.	**Recommendation 14** A knowledge management system will help WFP harness the knowledge that resides in disparate reports and in different divisions of the organization. Handing over of hard and soft copy of files should form an important item in the checklist before an employee moves out on reassignment/ retirement.	Progress as previously reported.	Information and knowledge management is supported by the following tools: All offices and employees have access to SharePoint's Teamwork Spaces, software that facilitates collaboration, coordination and documentation. A support function is in place. WFP's record-keeping software is being upgraded and integrated with the Teamwork Spaces to improve the retention of institutional knowledge. In progress.	September 2015	We await further action on developing a knowledge management system in WFP.
12.	**Recommendation 15** Training Modules of all functional areas and offices should be linked to the Learning Management System (LMS).	The LMS has been expanded to include division-specific learning and training in support of the People Strategy; the implementation timeline is accordingly extended to early 2015.	Requests for waivers for training expenses, which require approval by the Chief of Capability Development, are reviewed in the light of existing and planned learning opportunities at the corporate and function levels; 62 requests have been reviewed since November 2012.	Implemented	We acknowledge the improvements in the LMS.

	External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
			The team is contacting offices and units to ensure that they use the LMS, which was upgraded in July 2014 to improve performance, increase user-friendliness, solve technical problems and introduce new features. LMS usage increased by 113 percent for enrolments, 44 percent for completions and 47 percent for daily visits during the first month.		
			WFP has also acquired Rosetta Stone software licenses to support United Nations languages		
Report of the External Auditor on Working with Cooperating Partners (WFP/EB.A/2013/6-F/1)					
13.	**Recommendation 1** WFP HQ needs to have a single centre of responsibility, for managing information related to all its partners (governments, non-governmental organizations (NGOs), Red Cross and Red Crescent Movement and UN Agencies), which could ensure that all information/data on them is readily available and accessible, as and when required by the Executive Board/ Senior Management.	With alignment of WFP office reporting lines and the transfer of the NGO Office, the Partnership, Governance and Advocacy Department will be established as the centre of responsibility for all partners. The changes were confirmed in the Management Plan (2014–2016), approved by the Board at EB.2/2013, and are currently underway.	The Partnership and Advocacy Coordination Division (PGC), established in July 2014, is the single centre for coordinating information on cooperating partners. The NGO office is now part of PGC, which will lead implementation of the Corporate Partnership Strategy approved at EB.A/2014. An online platform has been established for gathering information on partnerships.	Implemented	We note the establishment of a single centre of responsibility for coordinating information on cooperating partners.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
14.	**Recommendation 4** We appreciate that WFP is in the process of reviewing its approach vis-à-vis global Memoranda of Understanding (MOUs), including criteria for concluding MOUs with NGOs. We recommend that WFP should hasten the process of review of existing MOUs and evolve transparent criteria for establishing Global MOUs. A periodic review of International NGOs may also be done with a view to establishing Global MOUs, where appropriate, in future.	The review of existing MOUs is ongoing. New partnership models were explored at the 2013 Annual Partnership Consultation. The Secretariat has consulted NGOs on the Corporate Partnership Strategy for submission at EB.A/2014; the Secretariat will subsequently review global MOUs.	Under the Corporate Partnership Strategy approved in June 2014, an NGO engagement strategy is being developed that reviews existing collaboration mechanisms such as MOUs and provides criteria for engagement. The review of NGO guidance in 2015 will cover existing MOUs. In progress.	July 2015	We recognize that action is under way and await completion of review of existing MOUs with NGOs and establishing of transparent criteria for establishing Global MOUs with international NGOs.

	External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
15.	**Recommendation 5** We recommend that the country offices (COs) maintain a databank/register of potential cooperating partners, in order to be able to identify suitable potential cooperating partners for implementing a particular project. The databank should contain the detailed institutional profile of the cooperating partners, which includes their financial capacity, core competencies, manpower profile, past experience, etc. and should be periodically updated. WFP HQ may design a standard format for the databank/register and issue directives for its periodic updation.	WFP is mapping partnering practices in 20 country offices as part of a review of guidance on partnering with NGOs with a view to adopting best practices and closing gaps; completion is expected by December 2014. This "in-depth" exercise will facilitate development of better corporate guidance across the partnering cycle, including by identifying best practices for management of partner data at the country office level. COMET – to be rolled out by December 2015 – will be a better tool for country offices for collecting and maintaining partner data; the use of COMET will be integrated into the guidance. Guidance will be updated following Board consideration of the Corporate Partnership Strategy in June 2014.	COMET is on track for roll-out in 2015. It will enable country offices to record details of cooperating partners and operational coverage. In progress.	December 2015	We acknowledge the steps initiated and will await further action on developing corporate guidance for a databank in the country offices on potential cooperating partners.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
16.	**Recommendation 9** We recommend that WFP HQ consider issuing a directive to COs for developing SOPs for cooperating partner M&E and may also prescribe minimum essential monitoring mechanisms for compulsory compliance.	Corporate standard operating procedures (SOPs) for M&E adaptable at the country level were issued in December 2013. Minimum monitoring requirements for country offices will be completed by May 2014.	The minimum monitoring requirements for country offices issued in July 2014 constitute the normative framework for programme monitoring; they are complemented by the Strategic Results Framework (SRF) 2014–2017, the SRF business rules and the SOPs for project monitoring. The minimum monitoring requirements are supplemented by the SRF indicator compendium, which defines indicator monitoring methods, and by corporate monitoring guidance, which was recently updated. The minimum monitoring requirements stipulate monitoring requirements to be met by country offices in relation to WFP's outcome, output and cross-cutting indicators, and measures to guide process monitoring.	Implemented	We note the circulation of minimum monitoring requirements to country offices stipulating the monitoring requirements.
Report of the External Auditor on the Use of Cash and Vouchers (WFP/EB.A/2013/6-G/1)					
17.	**Recommendation 1** b) Comparative cost-efficiency and effectiveness analysis of C&V transfer modalities need to be completed in COs for selection of appropriate transfer modality.	b) By December 2014 all projects for Project Review Committee review must have completed cost-efficiency and effectiveness analyses. The regional bureaux have dedicated C&V officers supported by the Cash for Change Unit (OSZIC) and the Resource Management Department (RM); country offices are supported by the OSZIC, RM, other Headquarters offices and the regional bureaux. The Project Review Committee reinforces compliance with efficiency and effectiveness analysis requirements prior to project approval.	b) The mandatory Omega Value tool introduced in 2014 analyses cost-efficiency, cost-effectiveness and external factors. It will be rolled out with training on C&V transfers in all country offices by the end of 2015. The tool is part of the second edition of the C&V Manual sent to country offices in January 2015.	b) Implemented	b) We acknowledge the introduction of the Omega Value tool and look forward to implementation in all country offices.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
18.	**Recommendation 2** b) COs should maintain the cooperating partners roster and also have a proper system of evaluation of cooperating partners for C&V projects in each CO, which can be used for follow-up and subsequent engagement in a programme.	b) The roster will be finalized by mid-2014. The response to recommendation 9 from "Working with Cooperating Partners" addresses the evaluation element.	b) The second edition of the C&V Manual includes a checklist for assessing the capacities and suitability of prospective cooperating partners. Training at country offices in 2015 includes guidance on selecting cooperating partners and maintaining a roster of those competent to run C&V interventions.	b) Implemented	b) We note the checklist to support assessment of cooperating partners' capacities and suitability and maintenance of the cooperating partners' roster.
19.	**Recommendation 3** a) WFP should increasingly use financial service providers (FSPs) for financial transfers in C&V-based projects, so as to tap their financial skills and infrastructure, wherever reliable service providers are available and in contexts where their engagement is feasible. b) Corporate guidelines for FSP fee negotiations should be finalized.	a) and b): WFP's increasing experience in fee negotiations will be reflected in guidelines to be issued by the end of 2014.	The standard templates developed for the selection of FSPs include technical and financial proposals; they are available on the WFP intranet.	a) and b) Implemented	We acknowledge the development of standard templates for engaging FSPs.

External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
c) Financial Service Providers should be selected on the basis of their accountability and performance capacity and their contracts should invariably contain penal provision for deficiency in performance.	c) Standard contract templates will be developed in conjunction with the Legal Office in 2014, along with guidelines for ex-post evaluation of FSPs.	c) Standard contract templates are being developed; some have already been utilized in the field – the immediate cash accounts and platform manager is an example. As a result of demands on staff time in the L3 emergencies in 2014, the implementation period has been extended to the end of 2015. In progress.	December 2015	We note that action is under way to develop standard contract templates.
20. **Recommendation 6** SOPs should be put in place to provide for pre-defined alternate mechanisms to address operational issues, which could delay timely disbursement of C&V to beneficiaries.	SOPs are being developed on the basis of WFP's experience with C&V and the experience of private-sector partners. The Business Development and C&V Unit and stakeholders such as the OSZIC and IT Division are developing the SOPs for the transfer mechanism.	Guidance for creating SOPs is set out in the second edition of the C&V Manual. The SOPs are mandatory and must include segregation of duties and internal control procedures. WFP's responsible, accountable, consulted and informed (RACI) functional area matrix identifies the actions and responsibilities of each unit implementing cash and/or voucher programming.	Implemented	We acknowledge development of guidance for creating SOPs to provide for pre-defined alternate mechanisms and expect that this will address operational issues, which could delay timely disbursement of C&V to beneficiaries.
21. **Recommendation 7** b) WFP needs to roll out on priority, the Corporate Beneficiary Management System to register, manage and monitor beneficiaries in all COs, with the ultimate objective of facilitating comprehensive and timely reporting on beneficiary assistance.	b) The System for Cash Operations (SCOPE), which is being rolled out in Kenya and Malawi, is the standard beneficiary and transfer management system for C&V interventions; it includes beneficiary identification, intervention and distribution planning and cash-transfer support. It currently supports 80,000 households with in-kind and cash-based interventions. The IT Division has developed technology, planning, training and support services to support the roll-out; 20 countries are targeted for 2014 with roll-out continuing in 2015 as resources allow.	b) SCOPE is now part of the standard C&V business process model and delivery platform. The schedule of deployment in the field is based on operational requirements in country offices. In 2014, support activities involved engagements in 22 countries. Of these, Bangladesh, the Democratic Republic of the Congo, Guatemala, Guinea, Kenya, Malawi and Somalia already use SCOPE. Afghanistan, the Plurinational State of Bolivia, Burundi, Chad, Ethiopia, Ghana, Iraq, Jordan, Lebanon, Mauritania, the Niger, the Philippines, South Sudan, the Sudan and Zimbabwe plan to introduce it in 2015. Deployment in other country offices is scheduled according to their capacities and operational requirements.	b) Implemented	b) We recognize that action is initiated for deploying the corporate beneficiary management system in country offices and urge the HQ for further action for its roll-out in other country offices, to facilitate comprehensive and timely reporting on C&V beneficiaries.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
22.	**Recommendation 8** b) The regional bureaux (RBs), in collaboration with HQ, need to prepare checklists for the oversight of C&V-based projects and ensure appropriate oversight mechanism, in the context of their enhanced responsibility in the new organizational design (Fit for Purpose).	b) Standard oversight checklists are being developed for C&V.	b) Standard oversight checklists for C&V-based projects have been developed and incorporated into the existing regional bureau overall checklist. The guidance is available to all staff on the WFP intranet.	b) Implemented	We note that standard oversight checklists for C&V projects have been incorporated into the overall checklists at regional bureaux.
23.	**Recommendation 9** As the C&V delivery modalities are in the process of being scaled up, we recommend that corporate guidance and tools for standardization and risk mitigation be developed, as a priority. A more pro-active oversight role by WFP HQ needs to be considered for rolling out these modalities at an accelerated pace and to collect best practices and disseminating these across all country offices (COs).	The macro financial assessment tool covers risks and mitigating actions; guidance will be published in the forthcoming revised C&V manual. Best practices will continue to be identified and assessed based on country office experience and by Office of Evaluation impact evaluations (see recommendation 11a) and internal reviews. The Cash for Change website and quarterly newsletter will disseminate best practices and lessons learned. Ongoing support is provided through support missions; in 2013, Headquarters and the regional bureaux carried out 43 support missions.	The first phase of corporate training for C&V was completed in 2014. The materials and an e-learning course were used for training of trainers in five regions; training for the West Africa Regional Bureau (RBD), postponed because of the corporate emergencies, will be given in 2015. WFP has established 11 teams with 120 trainers from all functions. In 2015, the regional teams will train country office staff on C&V business processes, SOPs and the use of tools to enable optimal use of transfer modalities. WFP aims to reach all country offices by the end of 2015. In progress.	December 2015	We note the action taken and also under way to provide corporate guidance for standardization of C&V modalities. We await further action for dissemination of best practices across all country offices.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
24.	**Recommendation 10** We recommend that WFP issue guidelines for training and capacity-building to be undertaken as part of pre-project activity involving WFP staff at RBs/COs, cooperating partners and local communities. More thrust needs to be placed on capacity-building, including a review of the existing in-house staff expertise in C&V implementation and roping in external specialists, if required.	Tools being developed to support capacity development in the field include a revised C&V manual and a website for information and knowledge-sharing. Additional training modules will be rolled out to country offices by the end of 2014.	The development of C&V training materials is complete; regional training teams have been established for delivering C&V training at country offices (see Rec. 9 above). The e-learning materials will be integrated into C&V training in 2015. Training will be adapted to include cooperating partners as well as country office staff. WFP called for C&V programme officers in the talent pool exercise (see Rec. 3 from the report on management of human resources) with a view to establishing a roster of experts In progress.	December 2015	We recognize that action is under way for capacity-building and training of WFP staff/cooperating partners, etc. in use of C&V modalities.
25.	**Recommendation 11** a) Impact analysis on C&V projects needs to be performed on a periodic basis.	a) The Office of Evaluation will conduct a C&V policy evaluation in 2014. In progress.	a) The evaluation of the C&V policy was presented at WFP/EB.1/2015. The Office of Internal Audit assessment of C&V operations from 1 January 2013 to 31 January 2014 reviewed business processes and internal controls in ten country offices utilizing C&V. Impact evaluations of C&V projects in Lebanon and Jordan were conducted by the Chief Economist's office; the State of Palestine country office made a secondary impact study of its voucher programme. The reports have been published. The 2015 C&V Manual includes a chapter on review and evaluation of C&V programmes.	a) Implemented	We note that the policy evaluation for C&V has been adopted, and expect impact analyses to be carried out periodically.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
Audited Annual Accounts, 2013 (WFP/EB.A/2014/6-A/1)					
26.	**Recommendation 1** We recommend that the information on actual funds available during the year may be suitably disclosed to improve understanding and usability of the Budget.	Agreed. The review is under way, with completion expected in 2014.	The first part of this recommendation has been implemented – the Provisional Prioritized Plan of Work was reported in the 2015–2017 Management Plan for the first time. This data set will serve as one basis for measuring actual funds available. The Secretariat will accordingly adopt a new format for Statement V in 2015. In progress.	December 2015	We note that action is under way to disclose information on actual funds available during the year to improve understanding of the budget and its practicality.
27.	**Recommendation 2** We recommend that stronger system of procedural checks and accounting controls be instituted to a) improve timely recording, including improving accuracy of closing accrual adjustments and b) improve accuracy of data in the document date field.	Agreed. The Secretariat will assess and undertake necessary action to improve timely recording of expenses and the accuracy of accrual adjustment and posting date for posted transactions.	The Secretariat has improved the procedural checks and enhanced the timeliness and accuracy of data recording through the annual year-end closure communication.	Implemented	We note action taken by the management to improve the checks on the accuracy and timely recording of data. We expect this approach to continue.
28.	**Recommendation 3** We recommend that the process of reconciliation carried out between SAP and COMPAS system needs to be strengthened, particularly in relation to the reconciling items arising from closed projects.	Agreed. The Secretariat agrees that it is important to strengthen the process of reconciliation between SAP and the Commodity Movement, Processing and Analysis System (COMPAS) and confirms that further efforts will be made to strengthen this process in order to reduce the SAP/COMPAS misalignments, in particular reconciling items arising from closed projects. It is to be noted misalignments between the two systems will continue until the single system solution is in place (LESS), for which the Secretariat records a closing adjusting entry to ensure inventory is accurately reported in the financial statement.	In 2014, the Secretariat improved the reconciliation of SAP and COMPAS data to minimize discrepancies, particularly with regard to closed projects with final Standard Project Reports (SPRs). The Secretariat will continue this process. Where discrepancies are inevitable, the Secretariat makes an adjustment entry at closure to ensure that inventory is accurately reported in the Financial Statements.	Implemented	We acknowledge that the process of reconciliation between SAP and COMPAS has been improved and look forward to the establishment of LESS, which will eliminate the differences.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
29.	**Recommendation 4** We recommend that in respect of asset management, controls surrounding the a) asset class determination, b) adherence to the fixed asset capitalization threshold and c) accuracy of data entered in the depreciation date field should be strengthened.	Agreed. The error rate, highlighted from the audit, was not significant. The Secretariat, however, agrees to review its controls surrounding these areas to see if there are cost-feasible improvements that can be made.	The Secretariat has developed a new report that enables verification of asset class, adherence to capitalization thresholds and the accuracy of data in the depreciation date field. The report is used by the Administration and Travel Branch asset support team, and asset master records are monitored. This control, now a regular monitoring activity, has helped to improve asset management.	Implemented	We acknowledge the initiatives such as the development of asset monitoring reports, and expect that such improvements will continue.
30.	**Recommendation 5** We recommend that the management of Trust Funds in the RBs and COs needs to be streamlined and standardised under corporate guidance.	Agreed. As part of a review of business processes, the Secretariat will standardize and strengthen existing procedures for country-specific trust funds.	Following the Secretariat's review of the management of trust funds, the following have been drafted and await approval: i) an Executive Director's Circular on procedures for the approval and management of corporate and country-specific trust funds; and ii) a manual to guide implementation of the procedures. In progress.	June 2015	We note that action is under way to standardize the management of trust funds in the regional bureaux and country offices.

External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
Report of the External Auditor on Food Procurement in WFP (WFP/EB.A/2014/6-G/1)				
31. **Recommendation 1** WFP needs to formulate an integrated 'Procurement planning framework' based on a supply chain approach applicable to Headquarters (HQ), regional bureaux (RBs) and country offices (COs). The framework should inter alia contain guidance on identifying inputs required for devising a sourcing and supply strategy; make it mandatory for all entities (HQ, RBs, COs) to prepare an annual procurement plan; contain a standard template for procurement plan; define Key Performance Indicators of the procurement process; and define reporting requirements regarding periodic monitoring and evaluation of the procurement process.	**EB.A/2014 UPDATE** Agreed. The development of a procurement planning framework is a component of the sourcing and delivery strategy led by the Supply Chain Management Working Group, which combines the functional areas for resource planning, procurement and logistics, and identifies the best options. The framework incorporates the sourcing and delivery plans of regional bureaux and country offices; it will be supported by a tool for monitoring supply-chain performance. The standard project pipeline management tool will support forward planning at the country office level and in WFP generally.	Under Fit for Purpose, the integrated supply chain structure came into operation in the first quarter of 2015; planning for sourcing and delivery are fundamental elements. The processes and tools to be developed throughout 2015 as a result of the restructuring will address the audit observation. In progress.	December 2015	We recognize action is under way for the formulation of an integrated procurement planning framework based on a supply-chain approach applicable at all levels.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
32.	**Recommendation 2** a**)** WFP may consider carrying out an assessment of the effectiveness and outcome measurement (impact assessment) of the Forward Purchase Facility (FPF).	**EB.A/2014 UPDATE** a) Agreed. The lead times and KPIs currently reported in the Annual Performance Report will be complemented with cost-efficiency analyses in 2014; an impact assessment will be considered for 2015–2016. Five years will be needed to finalize and mainstream the new approach.	a) The cost-efficiency analysis relating to savings and lead times has been carried out; the KPIs for FPF cost-efficiency for 2014 will be presented in the 2015 Annual Performance Report. An impact assessment covering 2012–2016 will be considered for the 2017 Annual Performance Report. In progress.	a) December 2016	We note that action is under way to carry out assessments of the effectiveness and impact of the FPF.
	b) WFP may consider formulating a comprehensive Purchase for Progress (P4P) governance guidance applicable to HQ, RBs and COs. This guidance could be designed with the overarching aim of integrating P4P with WFP's overall procurement plan at HQ, RB and CO levels and addressing the identified risks so as to make P4P initiative effective.	b) Agreed. The final evaluation of the P4P pilot was to inform the guidance developed during the pilot and the guidance in the food procurement manual.	b) The final evaluation of the P4P pilot was presented at EB.1/2015. Guidance, lessons and best practices are being circulated to regional bureaux and country offices as recommended. The Food Procurement Manual is being revised to incorporate guidance on integrating P4P into WFP's procurement planning. In progress.	b) December 2015	We note that action is under way in the formulation of comprehensive P4P guidance applicable to Headquarters.

	External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
33.	**Recommendation 3** a) WFP may consider reviewing its policy of procurement of nutritional products like SuperCereal Plus under waiver contract, so as to meet its objective of ensuring cost-effective purchases. Further, use of waivers in procurement, on the plea of urgency, should ensure their stated objective of ensuring timeliness and quality in delivery of food grains, especially in case of emergency operations.	**EB.A/2014 UPDATE** a) Agreed. WFP will review its procurement of nutrition products as part of its sourcing and delivery strategy. The significant capital investment required for producing special nutrition products must be assessed with reference to WFP's changing requirements. WFP will incorporate the recommendations and will introduce incentive-based contracts to optimize product quality. Waivers are deployed in line with WFP's interests; the Procurement Division (OSP) will circulate further guidelines on waivers to procurement staff.	a) Special nutritious foods are produced exclusively for humanitarian assistance. They are not commercial products in that WFP is the main buyer, with small quantities purchased by the United Nations Children's Fund (UNICEF) and some NGOs. Demand is hence limited and subject to donor funding – but production requires investment in modern factories costing up to USD 40 million. Ready-to-use supplementary foods are under patent, which restricts the number of suppliers. WFP welcomes additional suppliers but expansion of the supplier base is subject to commercial viability, a decision external to WFP. OSP's new procurement approaches for special nutritious foods include food supply agreements (FSAs) to maintain steady supplies and emergency food stocks. OSP has made the specification clauses in the FSAs more rigorous and added a product warranty clause covering the shelf-life of any product. Quality assurance is supported by independent inspections. The quality of grains and timeliness of delivery are specified in contracts and measured in the KPIs.	a) Implemented	We acknowledge that OSP has implemented new procurement approaches for special nutritious foods.
	b) Compliance mechanism to ensure adherence to the laid down procurement policy and guidelines may also be strengthened.	b) Agreed. WFP will enhance its reviews of procurement processes as part of its management of procurement risk.	b) Following revision of the delegations of authority for food procurement, OSP and the internal audit office are reviewing the sampling methods used to verify compliance with procurement policy and guidelines. In progress.	b) June 2015	We note that action is under way to verify compliance with procurement policy and guidelines.

WFP
wfp.org

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
34.	**Recommendation 4** a) WFP may ensure that Inspectors for Quantity and Quality Report are different from those entrusted with the responsibility of inspecting vendors for qualification so as to avoid possible conflict of interest.	**EB.A/2014 UPDATE** a) Agreed. WFP employs inspection companies with food quality and safety competencies to ensure that suppliers of special nutrition products comply with international standards. Where possible, WFP will stipulate the services to be provided to prevent conflicts of interest.	a) WFP has separated quantity and quality audits from factory audits, which are carried out by an internal team. In 2014 the team carried out 56 audits.	a) Implemented	We note that internal factory audits in 2014 were carried out separately from assessments by external quantity and quality inspectors.
	b) Food Purchase Committee at HQ and COs may be provided information on vendor's prior performance with regard to quality and timeliness of delivery to enable the committee to make a more informed decision.	b) Agreed. The vendor management committee reviews and addresses performance issues. The Food Purchase Committee obtains additional information on vendor performance as required for decision-making. The vendor management system will include a module that enhances reporting on vendor performance.	b) WFP will recruit a vendor management officer to design and implement an appropriate system. In progress.	b) December 2015	We note that a vendor management officer is to be appointed to design a new vendor management system.
	c) WFP needs to continue to strive to have flexible donor funding, without any restrictions for purchase, to achieve greater cost-effectiveness in procurement.	c) Agreed. The Government Partnerships Division (PGG) works to negotiate flexible donor funding free of restrictions on purchasing to increase cost efficiency and enable flexible responses to rapidly evolving humanitarian crises. The principles of good humanitarian donorship acknowledge the value of flexible funding. WFP's default stance is to request flexibility, but if it is not conceded WFP weighs the cost to beneficiaries of not receiving food assistance against the efficiency losses caused by the funding restrictions.	c) In July 2014, PGG issued new guidance to donor relations officers on decreasing the earmarking of in-kind contributions and maximizing the flexibility of cash contributions. Donors have been asked to increase the flexibility of their contributions.	c) Implemented	We acknowledge that a new guidance note was issued asking donors to increase the flexibility of their contributions.

External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
d) COs should monitor the Terminal Obligation Dates (TOD)/Terminal Distribution Dates (TDD) and discuss potential issues with HQ early so that they do not have to resort to procurement in a hurry to meet TOD/TDD or have instances of non-adherence to the TOD/TDD.	d) Agreed. Country office monitoring of terminal obligation and distribution dates will be enhanced by: i) increasing access to data-analysis tools; and ii) employing resource-management analysts at country offices, resources permitting. Implementation of the project pipeline management tool will enhance planning in country offices and WFP in general.	d) The pipeline tool is operational and supports country office monitoring. Systems are in place for monitoring the TODs and TDDs of contributions and for reporting and monthly monitoring by the regional resource management analysts.	d) Implemented	We acknowledge that systems have been put in place for country offices to monitor TODs and TDDs.
35. **Recommendation 5** a) WFP needs to standardise the use of In-Tend across COs and RBs to exercise more effective monitoring of the tendering process.	**EB.A/2014 UPDATE** a) Agreed. WFP has identified 67 countries where network connectivity and infrastructure may enable In-Tend. OSP has rolled out the system in 60 of these countries and plans to install it in the remaining seven in 2014.	a) In-Tend has been rolled out in 70 country offices where network connectivity and infrastructure enabled its use.	a) Implemented	We note that In-Tend has been rolled out in many country offices and expect that this action will increase the effectiveness of monitoring of the tendering process.
b) Gaps in the WFP Information Network and Global System II (WINGS II) related to vendor performance, contractual delivery date, details of default and food quality etc. need to be addressed for more effective control over the procurement process. This would make information about vendor performance easily extractable and available as an essential input in selection of vendors.	b) Agreed. The SAP modules for vendor and contract management are preferred, but integration into WINGS will be costly. WFP will implement the modules as soon as resources are available, and until then will adopt an alternative vendor management system to complement existing processes and address the information gap.	b) WFP will recruit a vendor management officer to develop a new system and address information gaps. In progress.	b) December 2015	We note that a vendor management officer is to be appointed to design a new vendor management system that will address gaps in WINGS II related to issues such as vendor performance, contracted delivery dates, defaults and food quality.

	External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
36.	**Recommendation 6** WFP needs to implement a robust vendor management system at HQ, RB and COs, which should inter alia ensure a) adherence to registration guidelines for all new vendors; b) completeness of vendor database for all the commodities and updating of database at regular intervals; c) expansion of vendor base to ensure greater competition and best value for money; d) standardizing the time given to vendors for submission of their offers; and e) Strengthening the processes of levy of penalty due to quality or late delivery issues by the vendors.	Agreed. The need for a modern vendor management system is recognized. Identification of a suitable system aligned with industry best practice that incorporates registration protocols and performance management modules is in progress. Adoption of a system suited to WFP depends on the availability of resources. WFP's vendor base is continuously reviewed by the vendor management committee. Expansion is determined by: i) the number of vendors registered for each food type; ii) WFP's demand relative to the investment required from suppliers, especially for special nutrition products; iii) the types of food purchased; and iv) the operational context. The markets largely determine the time allowed for vendors to respond to tenders. OSP will check the consistency of timeframes in similar markets and operating environments. Deployment of the vendor management system will improve processes for imposing penalties where needed.	WFP will recruit a vendor management officer to develop a new system and address information gaps. In progress.	December 2015	We note that a vendor management officer is to be appointed to design a new vendor management system.
37.	**Recommendation 7** Requested Time of Arrival (RTA) needs to be fixed keeping in mind the lead times and the shipping period. Adherence to RTA so fixed needs to be ensured by appropriate monitoring.	Agreed. The time of arrival shown in purchase requests is demand-driven and reflects planning risks and opportunities. The new standard approach for managing project pipelines requires country offices to recognize constraints in their implementation plans, so RTAs should be aligned more accurately with sourcing and supply capabilities. Monitoring is to be considered by the supply chain management working group.	Under Fit for Purpose, the integrated supply chain structure came into operation in the first quarter of 2015; planning for sourcing and delivery are fundamental elements. The processes and tools to be developed throughout 2015 as a result of the restructuring will address the audit observation. In progress.	December 2015	We note that action is underway to fix RTAs, with attention to lead times and shipping periods.

wfp.org

WFP

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
38.	**Recommendation 8** a) WFP needs to put together existing polices and manuals to formulate and document a corporate food quality and safety policy based on a supply chain approach.	a) Agreed. Food safety and quality is addressed in the manuals and guidelines of several functional areas and in the food quality and safety website. To improve integration of the supply chain, information will be consolidated and shared as required.	a) The report on a recent risk profiling exercise on food safety and quality management will be used to formulate a corporate approach. In progress.	a) June 2015	We note that a corporate food quality and safety policy is being formulated and documented.
	b) WFP needs to consistently check its suppliers on a sustained basis for food quality issues. It may consider including performance guarantee clauses in its contract with suppliers.	b) Agreed. WFP checks food quality for every purchase contract. The web-based food quality management system (FOQUS) will help to improve the procurement process. WFP will replace the performance bond in local and regional purchase contracts with a product warranty clause.	b) Product warranty clauses are included in all processed food contracts. The FOQUS food quality management system has been rolled out to 18 country offices.	b) Implemented	We recognize the inclusion of product warranty clauses in all processed food contracts.
	c) WFP needs to select its inspectors on the basis of technical capability and not just price. Periodic reviews of such inspectors need to be conducted as the quantity and quality reports of the inspectors are a vital mechanism in ensuring desired quality standards for WFP procurement contracts.	c) Agreed. The procurement of inspection services now includes a technical and a financial evaluation; this approach is being applied at the regional and local levels as services come up for re-tendering. FOQUS will enhance monitoring of the performance of inspection companies.	c) FOQUS is operational in 18 country offices (see recommendation 8b). The new approach to contracting inspection companies includes technical and financial evaluation.	c) Implemented	We note that technical and financial evaluations are included when contracting inspection companies.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
	d) WFP may take necessary steps to set up food quality committees in all COs to address safety and quality issues at the CO level.	d) Agreed. Resourcing constraints have delayed the establishment of the food quality committees recommended in the 2010 policy paper on food quality and safety. WFP intends to integrate food safety and quality management into its supply chains, with an appropriate governance structure for risk-profiling.	d) The governance structure will be part of the food safety and quality strategy to be developed in 2015. In progress.	d) June 2015	We note that a food safety and quality strategy and associated governance structure will be developed to address safety and quality issues at the country office level.
39.	**Recommendation 9** a) Role of Committee on Commodities, Transport and Insurance (CCTI) needs to be reviewed and systems put in place in COs/RBs to ensure stronger oversight of the procurement process.	a) Agreed. The role of the CCTI is defined in Financial Rule 112.23. Its oversight role has been augmented by the Office of Internal Audit, which reviews a sample of procurement transactions every quarter. This approach will be revised to reflect the delegation of procurement authority to regional bureaux and country offices. The oversight role of regional bureaux will be increased, resources permitting.	a) The Internal Audit sampling protocol for procurement transactions is being reviewed. Staffing adjustments are being considered to strengthen its oversight function. In progress.	a) December 2015	We note the review of the role of CCTI to improve oversight of the procurement process in country offices and regional bureaux.
	b) With WFP moving into new modes of procurement, it is important to ensure that available resources and skills match, so that procurement activities are carried out effectively and efficiently.	b) Agreed. WFP's evolving food procurement business model calls for increased market intelligence and the application of best practices in contracting, risk reduction and trader/supplier relationships. OSP is working in line with WFP's people strategy to establish appropriate staff, skills and resource requirements. To build procurement skills, WFP will use internal and external training opportunities and secondments to private-sector companies and will consult market experts, with a focus on increasing the oversight capacities of regional bureaux.	b) Job profiles and career materials have been updated in line with the people strategy to guide staff development and assignment decisions. Procurement specialists were included in the talent pool exercise (see Rec. 3 from the report on management of human resources). In progress.	b) June 2015	We note the updating of job profiles and career materials to guide staff development programmes and assignment decisions.

WFP
wfp.org

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
Report of the External Auditor on United Nations Humanitarian Response Depot (WFP/EB.A/2014/6-H/1)					
40.	**Recommendation 1** a) In order to be 'fit for purpose', UNHRD may adopt a more proactive strategy in addressing emergencies through advocacy with both existing and potential users/partners emphasizing the need for response, as well as indicating the time and nature of response, based on past lessons learnt.	a) Agreed. WFP will reinforce UNHRD's advocacy efforts and coordination role in the deployment of pre-positioned stockpiles, taking care not to duplicate the efforts of other inter-agency mechanisms and United Nations agencies; for example, coordination of information management in humanitarian response is already delegated to the Office for the Coordination of Humanitarian Affairs and the logistics cluster. Activities to be scaled up include: i) establishment of an information management unit; ii) upgrade of the UNHRD website for information sharing and visibility; and iii) development of standard operating procedures (SOPs) for UNHRD that include advocacy for cargo consolidation through global and bilateral appeals to partners and the logistics cluster.	a) UNHRD's new information management unit is improving information management and advocacy. The UNHRD website has been upgraded, social media accounts have been created and new communication products have been developed. Cargo consolidation is being pursued with partners. Information-sharing with the logistics cluster has increased, as shown when UNHRD was able to inform partners about cluster activities during the Ebola response.	a) Implemented	We note that UNHRD has established a management unit to drive improvements in information-sharing and advocacy with existing and potential partners.

External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
b) UNHRD needs to have a system-based reporting functionality to capture in real time, the operational support it renders to various emergencies, for assessing its performance and serving as a Management Information System for a cost–benefit analysis of the quality of its services. This would also facilitate more donor visibility and sensitization of its role to the various stakeholders.	b) Agreed. UNHRD currently uses corporate systems – the WFP Information Network and Global System (WINGS) and SAP – but integration between UNHRD sales processes and corporate food/asset management would enhance the operational and reporting capabilities of the network. Activities include: i) defining automated data collection tools; ii) developing bar-coding systems and interface solutions for UNHRD-specific modules in corporate applications; and iii) exploiting existing reporting platforms to facilitate the consolidation of information, increased business analysis, improved reporting capability, greater transparency and increased operational performance.	b) UNHRD's bar-code system now includes warehouse mapping to improve efficiency, accountability and the availability of information for partners. The system is fully operational in Dubai, but because of the Ebola response roll-out was postponed to the second quarter of 2015 in Subang and to the fourth quarter of 2015 in Brindisi and Accra. UNHRD has developed a web-based "dashboard" showing the status of sales processes and business volume to support analysis of financial and operational performance. It was inaugurated in Dubai in January 2015, and roll-out will be complete by June 2015. In progress.	b) December 2015	We await the full implementation of the barcoding system that includes warehouse mapping to improve efficiency and accountability and provide partners with immediate information about their stock and other operational information.
41. **Recommendation 2** a) UNHRD should continue its current efforts of fundraising and engaging with donors for non-specific funding.	a) Agreed. WFP continuously seeks and advocates for untied, predictable, multi-year funding to support all aspects of its operations, including the common strategic logistics services it provides to the broader humanitarian community, such as UNHRD. A revised fundraising strategy aligned with the network's strategic priorities is being developed by UNHRD and the Partnership, Governance and Advocacy Department (PG), including targeted proposals for enhancing the longer-term financial sustainability of the network by seeking: i) increased untied cash contributions from targeted/selected government donors; ii) multi-year partnerships, to increase access to and value from predictable and regular sources of income; iii) increased strategic private-sector partnerships, including for in-kind support; iv) a broader donor base; and v) diversification of services, to increase income generation from network users.	a) The fundraising strategy is in place. UNHRD's approach includes enlarging the donor base, developing the Friends of UNHRD, engaging with the private sector and improving communications with donors and Member States. Proposals have been made to several private-sector donors. New fundraising opportunities are being identified. The Government of Italy leads the Friends of UNHRD group and hosted an event during EB.1/2015 to raise awareness among donors. A package of communication products is regularly shared with potential donors.	a) Implemented	We acknowledge that UNHRD has finalized a strategy for fundraising and engaging with donors.

External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
b) UNHRD needs to explore alternatives for assured sources of funding, based on a long-term development plan.	b) Agreed. Ensuring long-term financial sustainability is a priority for UNHRD. In addition to activities undertaken as part of the new resourcing strategy mentioned in response to recommendation 2(a), activities to be scaled up include: i) diversifying services, including development of standardized humanitarian relief kits, support to cargo consolidation management at staging areas, development and implementation of humanitarian logistics training courses at UNHRD facilities, and recognition of UNHRD as a Humanitarian Procurement Centre of the European Community Humanitarian Office; ii) increasing income-generating activities through efficiency-enhancing measures for procuring relief items, contracting supply chain services, and handling and managing stockpiles; and iii) optimizing running costs by rationalizing the network's staffing structure, enhancing partnerships with WFP local/regional offices to outsource support functions, and ensuring that facilities and associated costs in each hub are provided in kind/at no cost by host governments.	b) The 2014–2017 strategy is in place, with increased field presence a priority. The design for the rapid response team highlights expansion for diversified competencies, engagement with standby partners, training, increased engagement at staging areas and immediate deployments. To promote standardization, UNHRD has established the LAB, a research and development activity centre, which works with partners, the private sector and research organizations to define product specifications. WFP expects certification of UNHRD as a European Community humanitarian procurement centre in 2015. Host governments have committed to financial support for annual operating costs, with one exception.	b) Implemented	We note that alternative assured sources of funding, based on long-term development plans are being explored.
42. **Recommendation 3** a) The funding strategy for the Las Palmas hub, beyond the donor-committed period, needs to be worked out.	a) Agreed. In line with the agreement between WFP and the Spanish authorities, the relevance, cost-effectiveness and sustainability of the Las Palmas initiative will be analysed during the second and fourth years of the project and a funding strategy will be determined.	a) UNHRD is finalizing the funding strategy for Las Palmas; UNHRD aims to have a plan for future operations in place by September 2015 following discussions with stakeholders in the regional bureau and the Government of Spain. In progress.	a) September 2015	We note that the funding strategy for Las Palmas is being finalized and the way forward explored.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
	b) New hubs may also be established, if warranted, to achieve broader objectives of the network, supported with strategic planning for future funding.	b) Any further expansion of the UNHRD network would be subject to a feasibility study looking at logistics infrastructure, vicinity to disaster-prone areas, efficiency, cost-effectiveness and government capacity to sustain the initiative. These criteria will feature in the forthcoming UNHRD network strategy.	b) UNHRD is finalizing a communication package and has been approached by several national entities interested in depots in their countries. WFP will examine the possibility of establishing a depot in South Africa. The country office and UNHRD have pre-positioned food in Kampala, some of which has been dispatched to support operations, for example in South Sudan.	b) Implemented	We acknowledge the new communications package and recognize that UNHRD will study the feasibility of establishing a depot in South Africa. We urge UNHRD to continue to explore possibilities for setting up more hubs if warranted.
43.	**Recommendation 4** a) A system needs to be put in place for close monitoring of receivables and timely realization of outstanding dues.	**EB.A/2014 UPDATE** a) Agreed. Following the introduction of a monitoring system for receivables, outstanding dues and receivables for both internal and external customers were significantly reduced by the end of the 2013 fiscal year.	a) A monitoring system for customers' receivables is in place, with continuous follow-up by the finance unit.	a) Implemented	We acknowledge that action has been taken for regular monitoring of receivables and timely realization of outstanding dues.
	b) The procedural delays in generating Service Confirmation Forms and raising Debit Notes should be reviewed and minimized, with clear lines of accountability, for improving its operations and efficiency of services.	b) Agreed. An interim solution has been implemented to monitor the issuance of Debit Notes once service confirmation forms are received. An automated monitoring system will be developed to replace this interim solution. The certification of Debit Notes has been delegated to UNHRD managers to increase accountability for the efficiency of services rendered by hubs.	b) Weekly status of service confirmation forms are shared with the UNHRD customer-service team, supporting the monitoring of outstanding processes to be invoiced. Because of the increased workloads and staff deployments to the Ebola emergency, implementation has been postponed to June 2015. In progress.	b) June 2015	We await full implementation of the weekly status of service confirmation forms.

External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
c) Fixed Assets reconciliation between the Asset Management Database and the WINGS-Asset Management Record needs to be conducted on priority, as also assured by WFP during the Audit of Financial Statements of 2012.	c) Agreed. Fixed assets have been reconciled between the Asset Management Database and WINGS for all UNHRD hub locations. Regular financial reports shared across the network include monthly minimum financial closure reports.	c) Fixed assets are reconciled in the asset management database and WINGS; periodic reports are produced as part of the minimum monthly closure report. Asset-management focal points are in place in each hub to ensure follow--up.	c) Implemented	We note the action taken to reconcile fixed assets in the asset management database and WINGS.
44. **Recommendation 5** a) UNHRD may persuade its partners to regularly monitor their respective stocks lying with the hubs and withdraw the overage and outdated items occupying space. Wherever warranted, action as per Standard Operating Procedures needs to be taken.	**EB.A/2014 UPDATE** a) Agreed. This issue was raised with UNHRD partners at the UNHRD Global Meeting in 2013, underscoring that UNHRD is not a long-term storage facility but an emergency preparedness and response platform where stock rotation is imperative. To complement and enforce its SOPs, UNHRD is institutionalizing the invoicing of storage costs for non-rotating stocks.	a) Partners' stocks were analysed in all hubs. When the 2015 physical count is complete, partners will be notified of stock held in depots for 24 months or more and invoiced in June 2015. Partners for whom UNHRD procures are exempt. In progress.	a) June 2015	We note that stocks held by UNHRD partners are being assessed to optimize the allocation of storage space.
b) UNHRD may formulate a policy for allotting space to partners in the hubs on the basis of some criteria or benchmark, as deemed fit.	b) Agreed. This topic will be addressed with partners at the next UNHRD Global Meeting with a view to determining criteria for the allotment of storage space in each hub. Activities for facilitating the management of warehouse space have already been initiated, including: i) reorganization of the warehouse space in Brindisi, to optimize storage capacity; ii) mapping of warehouses to support implementation of a bar-coding system across the network; and iii) introduction of stock standardization to increase loan and borrowing capability.	b) UNHRD and the University of Bologna are studying the allocation of warehouse space by hub and partner; the results will be presented at the UNHRD global meeting in June 2015. In progress.	b) December 2015	We note that UNHRD is studying the allocation of warehouse space by partner and hub. We await the findings of the report.

External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
c) As the Corporate Response Stocks are of strategic significance, UNHRD needs to closely work with WFP for review and appropriate action of these overage stocks and their replenishment.	c) Agreed. As part of the WFP Preparedness and Response Enhancement Programme (PREP), UNHRD is facilitating the review of WFP corporate stocks pre-positioned in the network to ensure: i) availability of sufficient and appropriate stocks; ii) standardization of relief items; iii) flexible and innovative sourcing modalities; and iv) increased potential for loans and borrowing among UNHRD partners.	c) UNHRD and the relevant WFP divisions manage corporate response stocks. A procurement plan is being finalized, and UNHRD will help to manage the supply chain for non-food items. In progress.	c) June 2015	We note that a procurement plan is being finalized for corporate response stocks.
d) UNHRD needs to actively engage with WFP Aviation Service, to initiate action for their items, which were kept in the hub against zero value.	d) Agreed. Action has been initiated to facilitate the disposal of obsolete Aviation Service (OSLA) items.	d) Obsolete WFP aviation items are being disposed of in accordance with established procedures. In progress.	d) June 2015	We acknowledge action has been initiated for the disposal of WFP aviation service items, which are kept in the hub at zero value.
45. **Recommendation 6** a) WFP needs to periodically revisit the policy of procuring and pre-positioning the high-energy biscuits in UNHRD hubs, taking into account their acceptability to the targeted beneficiaries, responses from the country offices, and their current as well as future relevance.	a) Agreed. WFP is reviewing the possibility of using long-term service agreements to reduce the need for procuring and pre-positioning stocks in UNHRD depots. In its emergency preparedness and response activities, WFP will continue to review food baskets for immediate responses. This will inform decisions on products suitable for the situations considered under preparedness scenarios and planning processes.	a) UNHRD and the relevant WFP divisions are establishing a policy for managing and pre-positioning stocks of high-energy biscuits. OSP is working on an agreement on ready-to-use foods, including buffer stocks held by the supplier. Food baskets are being reviewed. In progress.	a) June 2015	We acknowledge that a policy for managing and pre-positioning stocks of high-energy biscuits is being established.

External Auditor's recommendations	WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
b) UNHRD hubs also need to continue to be proactive in sensitizing WFP management and all partners for making best use of food items in its hubs, prior to their expiry.	b) Agreed. WFP and partners will continue to receive regular alerts on the expiry dates of the food items stored in UNHRD depots.	b) UNHRD users are regularly informed about the expiration dates of stored high-energy biscuits.	b) Implemented	We note that UNHRD is monitoring the expiry dates of stored food.
46. **Recommendation 7** There is a need for greater transparency and promptness in the procurement of items. Inadequacies in the number of trained personnel in this field need to be addressed through appropriate capacity building.	Agreed. The procurement of relief items requires improvement. UNHRD is investing in staff, technical training and United Nations certification. UNHRD will continue to cooperate with OSP to develop a new sourcing strategy and increase the number of long-term agreements for the most frequently rotated items. Procurement activities will pioneer initiatives for developing market analysis, research and development, and access to innovative and green technologies.	UNHRD procurement staff are certified to use Chartered Institute of Purchasing and Supply (CIPS) modules, in coordination with OSP. The sourcing strategy is being developed and procurement planning innovations introduced, but the timeline is extended to June 2015 to allow for departmental restructuring. In progress.	June 2015	We note action has been initiated for procurement planning, ensuring greater transparency and promptness in the procurement process.
47. **Recommendation 8** a) Adherence to Standard Operating Procedures, in ensuring service delivery, needs to be strengthened.	a) Agreed. Action to increase compliance at the hub level has already been taken. For example, sharing of a weekly financial report is enhancing the monitoring of service delivery. UNHRD and the Information Technology Division are working on a web-based application to enhance data analysis, reporting and oversight.	a) The SOPs in force at UNHRD hubs ensure full compliance. A dashboard has been developed to enhance data analysis, reporting and oversight.	a) Implemented	We note that action is under way to ensure compliance with SOPs at UNHRD hubs.

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
	b) Envisaged system improvements, in order to facilitate easy tracking of service deliveries and sales reconciliations, needs to be carried out.	b) Agreed. Monitoring of service delivery has been improved through monthly reports to ensure that hubs are alerted and outstanding cases are addressed. Development of the web-based application mentioned under recommendation 8(a) will facilitate the implementation of this recommendation.	b) Monthly reports on service delivery and financial performance monitor outstanding service requests, the average age of service requests, cash available in the special account, forecast income, office budgets, hub expenditures and funding advanced by partners. The new SAP logistics reconciliation report provides real-time information on sales.	b) Implemented	We acknowledge action has been taken to share monthly sales reconciliations.
48.	**Recommendation 9** Structure and Staffing Review needs to be conducted in all the hubs within a scheduled time frame, job descriptions of all positions need to be formalized immediately, and fixing of criteria to determine the justification for the correct numbers of warehouse personnel in each hub also warrants attention.	Agreed. A staffing review was initiated in March 2014. The staffing structure and job descriptions will be adjusted in line with the review's findings. UNHRD staffing is regularly reviewed in conjunction with the yearly work plan and budget exercise.	An HRM review of staffing structures focused on Brindisi and on the depots in Dubai and Subang, where most staff are located. The report awaits final approval. A review of staffing in Accra will address requirements related to the Ebola emergency response. Staffing is regularly reviewed in all hubs.	Implemented	We note the structure and staffing review at Brindisi and the hubs where most staff are located. We urge early completion.
49.	**Recommendation 10** Joint Directive for handling and reporting procedures for the Special Account needs to be issued on priority.	Agreed. The joint directive on administration, accounting and reporting procedures for the UNHRD network has been finalized with the Finance and Treasury Division (RMF) and will be issued by RM and the Operations Services Department (OS) by the second quarter of 2014.	A joint directive on administration, accounting and reporting procedures for UNHRD was issued in June 2014.	Implemented	We note that a joint directive has been issued on administration, accounting and reporting procedures for the UNHRD network.

WFP
wfp.org

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
50.	**Recommendation 11** UNHRD needs to devise the common, network-wide reporting system, within a scheduled time frame, for better reporting standards and useful Management Information System.	Agreed. WFP recognizes the need to enhance reports and reporting tools, adapting them to UNHRD requirements. Activities indicated in response to recommendation 1(b) will also address this recommendation. Network-wide reporting will be enhanced by the introduction of a series of measurable key performance indicators, which will be reflected in the UNHRD network work plan and standard reports.	The new web-based dashboard for monitoring financial and operational performance was inaugurated in Dubai in January 2015; roll-out will be complete by June 2015. In progress.	June 2015	We note the roll-out of a web-based operational dashboard designed to support business analysis and financial and operational performance monitoring.
51.	**Recommendation 12** UNHRD needs to closely interact with all users and partners to appreciate their concerns and accordingly offer economic and efficient services to them.	Agreed. In 2013, a comprehensive user survey was conducted in preparation for the UNHRD Global Meeting. This survey will be repeated to provide the basis for working sessions at upcoming UNHRD Global Meetings. UNHRD's customer service function will continue to be strengthened through restructuring and training.	The second UNHRD user survey will be carried out in the first quarter of 2015; the results will be used to identify improvements. In progress	June 2015	We acknowledge that opportunities to improve customer services at UNHRDs are being identified.
Report of the External Auditor on Audited Annual Accounts, 2014 (WFP/EB.A/2015/6-1)					
52.	**Recommendation 1** We reiterate that the monitoring system to record capitalization of assets above the threshold limit of USD 5,000 and for asset classification may be strengthened.		Agreed. The error rate highlighted in the audit was not significant. However, the Secretariat agrees to further strengthen the monitoring system over the capitalization of assets where cost-feasible.	December 2015	

External Auditor's recommendations		WFP response/actions taken at last reporting dates	WFP response/actions taken as at present reporting period	Timeframe	External Auditor's comments
53.	**Recommendation 2** WFP may continue to strengthen its mechanism for timely recording of data in the system to reduce post closure adjustment and delayed entries.		Agreed. The Secretariat will review its processes of data recording and undertake necessary action to improve timely recording of data in the system.	December 2015	

wfp.org WFP

ACRONYMS USED IN THE DOCUMENT

C&V	cash and vouchers
CCTI	Committee on Commodities, Transport and Insurance
CO	Country office
COMET	country office monitoring and evaluation tool
COMPAS	Commodity Movement, Processing and Analysis System
ERP	enterprise resource planning
FPF	Forward Purchase Facility
FSA	Food Supply Agreement
FSP	financial service provider
HQ	Headquarters
HR	human resources
HRM	Human Resources Division
ISMS	Information Security Management System
IT	information technology
KPI	key performance indicator
LESS	Logistics Execution Support System
LMS	Learning Management System
M&E	monitoring and evaluation
MOU	memorandum of understanding
NGO	non-governmental organization
OSP	Procurement Division
OSZIC	Cash for Change Unit
P4P	Purchase for Progress
PGC	Partnership and Advocacy Coordination Division
PGG	Government Partnerships Division
RB	regional bureau
RM	Resource Management Department
RTA	requested time of arrival
SCOPE	System for Cash Operations
SOP	standard operating procedure
SRF	Strategic Results Framework
SSR	structure and staffing review
TDD	terminal distribution date

WFP
wfp.org

TOD	terminal obligation date
UNHRD	United Nations Humanitarian Response Depot
WINGS	WFP Information Network and Global System