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# Item 6e) Management Response to the recommendations in the Report of the External Auditor on Country Portfolio Budgets

WFP/EB.A/2019/6-F/1/Add.1

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# Management response

- Agreed with the overall conclusion that the country portfolio budgets portfolio budgets represent an **improvement in transparency and accountability** vis-à-vis donors and the new cost categories provide a better **understanding of WFP's expenditures**.
- Appreciated the scope and prioritization of recommendations and recognition that any further adjustments should seek a **balance between transparency and additional workload for country office**
- Looks forward to **engaging with the membership on the appropriate level of information** required for strategic governance as well as detailed information which could be accessed through other platforms, including the CSP data portal or WFP website
- Welcomes the recognition of the need to find a **balance between simplicity and precision** in the budget structure and note the auditor's observation regarding the reduction in workload brought about by the ongoing simplification of the budget structure.

**Management agreed with all 11 recommendations**

# Out of 11 recommendations

## Priority 1

fundamental issue, requiring immediate action by management

- **Recommendation 2:** definition of needs
- **Recommendation 9:** consolidated cost structure

## Priority 2

less urgent control issue to be dealt with by management

- **Seven recommendations**
- **Recommendations 1, 3, 5, 6, 7, 8 and 10** relating to board information, articulation with the United Nations, CSPs and calls for contributions, budget execution, information portals and support costs.

## Priority 3

issue on which possible improvement of controls could be made and which is brought to the attention of management.

- **Recommendations 4 and 11** relating to the multi-country strategic plans and cooperating partner budgets

# Recommendation 2 - Definition of needs

*Priority 1*

**Recommendation 2: The External Auditor recommends that each country strategic plan should recap the method used to define needs, in particular the factors taken into account to estimate realistically WFP's capacity to implement them.**

## **Management Response: *Agree.***

- **Provide clarity on the programmatic approach and collaborative discussions** with partners that supports the identification of estimated needs for a country to which WFP is able to respond within each country strategic plan (CSP) or interim CSP (ICSP) document.
- **Review the underlying assumptions** regarding WFP's capacity to respond in all approved CSPs and country portfolio budgets and **compare them with current guidelines in order to clarify:**
  - how the capacity of country offices to deliver is factored into needs-based planning budgets;
  - the extent to which past levels of funding should influence needs-based budgeting;
  - how accurate and realistic the forecasts for CSPs were during the first year of implementation.

# Recommendation 9 - Consolidated cost structure

*Priority 1*

**Recommendation 9: The External Auditor recommends that the annual management plan present country portfolio budgets, consolidated at WFP level, according to the four macro cost categories (transfers, implementation, direct support and indirect support costs) and report on their evolution from one year to the next.**

## **Management Response: *Agree.***

- With all country offices operating within the IRM framework, the Secretariat will **present a consolidated country portfolio budget divided into the four high-level cost categories** (transfers, implementation, direct support costs and indirect support costs) **in the Management Plan (2020–2022)**. Subsequent management plans will also include the consolidated country portfolio budgets from previous years to enable comparisons within and among cost categories and to show trends.

# Discussion



# Annex



# Recommendation 1 - Board Information

*Priority 2*

## **Recommendation 1: The External Auditor recommends that the Secretariat**

- Produce a summary document for the attention of the Board, providing an overview of the Integrated Road Map
- Approach member countries in order to better define how to respond to their needs, distinguishing between strategic information required for governance, and detailed information on country strategic plans and their budgets, which should be available on the various WFP sites and portals.

### **Management Response: *Agree.***

- **Issue a document** that provides an overview of the four elements of the IRM and indicates where Member States can access the latest information
- Continue to **seek feedback from Member States** in order to determine the appropriate levels of information required for governance and for other information purposes.



# Recommendation 3 - Articulation with the United Nations

*Priority 2*

**Recommendation 3: The External Auditor recommends that the cycles of the country strategic plans closest to the end of their duration (beyond the third year) be aligned with the next United Nations development assistance framework (UNDAF) plans.**

## **Management Response: *Agree.***

- Ensure that the **timeframes of CSPs**, especially those in the development stage, **are in line with revised UNDAF cycles** to be consistent with the United Nations reform. This alignment will be achieved as soon as possible in view of the strategic importance of the revised UNDAF.
- Current WFP guidance recommends that **zero hunger strategic reviews and CSPs be aligned with the current UNDAF cycle**. When this is not possible, the CSP should be revised so that it can be aligned with the next UNDAF cycle. Each CSP concept note will refer to the CSP's alignment with and contributions to UNDAF outcomes. WFP will consider **strengthening the alignment of concept notes and CSP documents with the current proposals for reforming the UNDAF**.

# Recommendation 5 - CSPs and calls for contributions

*Priority 2*

## Recommendation 5: The External Auditor recommends that:

- Country offices rely more on the content of the country strategic plans and associated budgets when making their calls for contributions
- Secretariat continue to appeal to donors for more flexible and more predictable funding with a view to maximizing the long-term operational efficiency of the plans.

## Management Response: *Agree.*

- **Strengthen guidance and training** to ensure that CSPs and the associated budgets are used proactively and consistently in donor engagement at the country, regional and headquarters levels
- WFP **understands that it will take time** for donors to fully understand the holistic CSP framework and activity-level budget structure, and for WFP to build donors' confidence in the new "line of sight" from WFP Strategic Results to activities and to change donors' behaviour.
- WFP will continue to **gather evidence of gains in efficiency and effectiveness** resulting from CSP implementation in order to **better communicate results to donors** and to advocate for more flexible funding and funding for higher levels of the CSP line of sight.

# Recommendation 6 - Budget execution

Priority 2

**Recommendation 6: The External Auditor recommends analysing the reasons for the increase in principal budgetary operations (transactions) and accounting operations in order to assess the long-term impact of the workload of country portfolio budgets on management and staff.**

## Management Response: *Agree.*

- While the Secretariat accepts recommendation 6 and acknowledges the “strong indication of an increase in the administrative workload”, it should be noted that **the annex to the report and the increases quoted in paragraph 98 include increased requirements brought on by the Rohingya humanitarian crisis** in Bangladesh in mid-2017.
  - If figures for Bangladesh were removed, the 52 percent increase in the average number of budget lines referred to in paragraph 98 (table 1 in the annex) would fall to 20 percent. The increase in number of expenditure lines referred to in the same paragraph (table 3 of the annex) would also decline, from 32 to 7 percent. Similarly, simplification actions that resulted in “reductions in workload”, mentioned in paragraph 78, were not implemented until January 2019.
- Analysis from January 2019 indicates **a decrease in the number of staff payroll lines**, although the exact **impact on the number of staff** commitments by country office (as shown in table 2 of the annex) **cannot be quantified**.

# Recommendation 7 - Information portals

*Priority 2*

**Recommendation 7: The External Auditor recommends improving the usefulness of the "CSP Data Portal" for its users by introducing the following for each country:** (i) the implementation plan budget; (ii) expenditures incurred on an infra-annual basis; (iii) amount of the programme support and administrative budget; (iv) percentages of indirect support costs (a priori 6.5%) and direct support costs; (v) six-month requirements in relation to the needs-based plan and implementation plan, followed by the corresponding resources actually collected.

## **Management Response: *Agree.***

- **Continue to improve the usefulness** of the CSP data portal, including by **integrating the management plan website into the portal** over the course of 2019.
  - The CSP data portal will include the original implementation plans for all the CSPs and ICSPs approved; more regularly updated expenditure data, including allocations from the programme support and administrative budget; percentages of indirect and direct support costs; and information on requirements in relation to the needs-based plan and the implementation plan and on the resource situation.
- **Internal dashboards will continue to be used** for internal management as well as for technical purposes. Management will ensure alignment between data sources for both the external and internal use

# Recommendation 8 - Information portals

*Priority 2*

**Recommendation 8: The External Auditor recommends rationalizing the coexistence of the different information portals relating to country strategic plans, systematically indicating their source, their rules and dates of updates and the nature of the costs presented (activities, transfers, implementation, direct support, indirect support).**

## **Management Response: *Agree.***

- Strive to **improve current reporting** channels by clearly **stating the data sources and the frequency of updates** for each reporting platform, dashboard and portal. Additional information will be provided to clarify the categories of the costs presented.
- Please also see response to recommendation 7 related to **internal dashboards.**

# Recommendation 10 - Support costs

*Priority 2*

**Recommendation 10: The External Auditor recommends that WFP, building on the possibilities introduced by the new cost structure, report annually on the evolution of the following indicators: overall support rate, consolidated support and implementation rate and overall accompanying rate.**

## **Management Response: *Agree.***

- **Determine what metrics are appropriate** for identifying the rate of what is directly transferred to beneficiaries in terms of food or food-equivalent (cash-based transfers), taking into consideration the differences in transfer modalities. This level of reporting will be **included in the annual management plan and the annual performance report.**

# Recommendation 4 - Multi-country strategic plans (1/2)

*Priority 3*

**Recommendation 4: The External Auditor recommends that the implementation of multi-country strategic plans be studied.**

## **Management Response: *Agree.***

- In some situations, responses can be regional in scope and require coordination by the relevant regional bureau. A regional response can cover several countries with CSPs, ICSPs or limited emergency operations in place. **Guidance for the management of such responses through the regional bureau portfolio budget structure was disseminated in early 2019.**
- For small states that are in similar situations and do not have individual CSPs or ICSPs in place, management is **expanding the CSP framework through the development of interim multi-country strategic plans (IMCSPs)**. Each IMCSP covers a number of countries and does not overlap with any existing CSP, ICSP, limited emergency operation or transitional ICSP following a limited emergency operation.

# Recommendation 4 - Multi-country strategic plans (2/2)

*Priority 3*

**Recommendation 4: The External Auditor recommends that the implementation of multi-country strategic plans be studied.**

## **Management Response: *Agree.***

- **Present the Pacific Interim Multi-Country Strategic Plan and the Caribbean Interim Multi-Country Strategic Plan for approval** at the Board's 2019 annual session and second regular session, respectively. The documents will contain details of the necessary temporary derogations from the WFP general rules, financial regulations and delegation of authority to the Executive Director and request the Executive Board's authorization to apply the rules and regulation.
- Based on experience of implementing the Pacific IMCSP in the latter half of 2019, management will **draft any necessary normative amendments to the WFP general rules and financial regulations and present them for the Board's approval at the 2020 first regular session along with the proposed delegations of authority.**



# Recommendation 11 - Cooperating partner budgets

*Priority 3*

**Recommendation 11: The External Auditor recommends monitoring the total amount of the management fee paid annually to cooperating partners and the range of rates applied by field level agreements.**

## **Management Response: *Agree***

- **Recognize the need for better corporate oversight of the fees and rates transferred to cooperating partners** and will work with country offices and regional bureaux to ensure that management fees **of 7 percent** are applied for all cooperating partners globally.

# Annex

Tables A.1, A.2 and A.3 exclude the analysis of the finance and budget units' workload from the Bangladesh country office. This is because the nature of intervention in 2018 was significantly more complex than 2016.

	<b>Table A.1: Number of budget transaction lines</b>					
	October 2016	October 2018	Delta	November 2016	November 2018	Delta
<b>Bangladesh</b>	1,400	6,145	339%	1,393	6,156	342%
<b>Guatemala</b>	503	1,144	127%	505	1,143	127%
<b>Haiti</b>	1,697	2,064	22%	1,697	2,065	22%
<b>Jordan</b>	2,946	2,166	-26%	2,940	2,168	-26%
<b>United Republic of Tanzania</b>	1,472	2,829	92%	1,478	2,822	92%
<b>Uganda</b>	3,415	5,689	67%	3,418	5,673	66%
<b>Zimbabwe</b>	2,910	1,720	-41%	2,912	1,720	-41%
<b>Grand total</b>	<b>12,943</b>	<b>15,612</b>	<b>21%</b>	<b>12,950</b>	<b>15,591</b>	<b>20%</b>

# Annex

Actions to simplify the country portfolio budget structure were implemented as of 1 January 2019. To show the impact of the simplification efforts, Table A.2 includes the number of staff commitments from January 2019 and compares the figures to November 2018. As noted in paragraph 78 of the external auditor’s report, simplification has led to a ‘significant reduction in workload’.

	<b>Table A.2: Number of staff commitments*</b>							
	October 2016	October 2018	Delta	November 2016	November 2018	Delta	January 2019	Delta
<b>Bangladesh</b>	7	24	200%	8	24	200%		
<b>Guatemala</b>	3	5	67%	3	5	67%		
<b>Haiti</b>	23	10	-57%**	24	10	-58%		
<b>Jordan</b>	9	13	44%	9	14	56%		
<b>United Republic of Tanzania</b>	9	15	67%	10	15	67%		
<b>Uganda</b>	8	28	250%	10	25	150%		
<b>Zimbabwe</b>	5	14	180%	3	16	433%		
<b>Grand total</b>	<b>57</b>	<b>85</b>	<b>49%</b>	<b>59</b>	<b>85</b>	<b>44%</b>		
* international professionals and consultants only, the functionality to create monthly commitments (SAP-PBC) is not used for local staff								

\*\* WFP has indicated that this sharp drop was, in its view, the result of the period following the 2016 humanitarian crisis in Haiti.

# Annex

	<b>Table A.3: Number of expenditures lines</b>					
	October 2016	October 2018	Delta	November 2016	November 2018	Delta
<b>Bangladesh</b>	1,023	2,557	150%	912	2,879	216%
<b>Guatemala</b>	303	399	32%	316	206	-35%
<b>Haiti</b>	920	685	-26%	1,271	523	-69%
<b>Jordan</b>	639	704	10%	790	583	-26%
<b>United Republic of Tanzania</b>	694	777	12%	701	816	16%
<b>Uganda</b>	1,468	3,221	119%	1,432	3,538	147%
<b>Zimbabwe</b>	2,438	1,446	-41%	2,220	1,560	-30%
<b>Grand total</b>	<b>6,462</b>	<b>7,232</b>	<b>12%</b>	<b>6,730</b>	<b>7,226</b>	<b>7%</b>

Source - SAP - WINGS – team in charge of finances