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Financial and budgetary matters

For decision

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

WFP management response to the recommendations in the report of the External Auditor on findings from field audits

1. Management welcomes the summary field report for 2024 and appreciates the External Auditor's commitment to transparency, accountability and continuous improvement in WFP's processes, in accordance with its mandate as set out in Article XIV of the WFP Financial Regulations and their annex. The External Auditor's independent role and perspective are fundamental in helping WFP to prioritize issues of strategic importance with the aim of improving the efficiency and effectiveness of the governance, administration and use of the resources entrusted to it. Of particular importance are the summary field report's findings and recommendations of a cross-cutting nature and the insights provided by the External Auditor on recurring issues that may impede the efficiency of WFP's financial procedures, accounting system and internal controls, and its general administration and management at the field level.
2. Management has addressed the new recommendations outlined in the management letters issued to the relevant country and regional offices. The implementation status of these recommendations will be monitored and reported on until the related issues are fully resolved, with updates included in the annex to the summary field report from 2026 onwards. Consequently, this management response does not delve into individual recommendations but instead concentrates on WFP's overarching response to the following cross-cutting issues identified in the summary field report: cooperating partner management; cash-based transfers; supply chain; management issues, specifically with regard to knowledge management and accounting; and recurring audit issues which include those related to spot checks on cooperating partners, asset management, personnel files, disaster recovery planning, the delegation of financial authority, and accrual submissions.

Focal points:

Mr S. Dahan
Chief Risk Officer and Director
Risk Management Division
email: salvador.dahan@wfp.org

Ms R. Pala Krishnan
Deputy Director
Risk Management Division
email: rathi.palakrishnan@wfp.org

3. **Cooperating partner management.** WFP acknowledges the challenging contexts and budget restrictions at the field level and will provide ongoing support to ensure compliance with corporate guidance. WFP will continue to advocate the use of risk-informed spot checks on capacity assessments, invoicing practices and field-level agreements. With support from the Legal Office, the field-level agreement clauses are being updated, including those related to extensions and amendments. A capacity strengthening strategy for local non-governmental organizations is currently under review at global headquarters to support this process and complement the WFP localization policy approved in June 2025. The invoice verification process is being updated based on the existing guidance for risk-informed spot checks and ongoing field testing.
4. **Cash-based transfers.** WFP ensures compliance with corporate guidance, particularly for post-distribution monitoring, transfer values and financial service provider fees. WFP has developed templates to support country offices in documenting transfer value decisions, ensuring that tools and guidance are readily available.
5. **Supply chain.** WFP underscores the importance of fair and transparent management of suppliers in all offices. All potential suppliers must undergo the same selection process, which must be supported by complete documentation and periodic reviews of supplier rosters. These practices are governed by the supplier relationship manual, which outlines the criteria for supplier selection, the required documentation, the induction procedures for new vendors, and the processes for creating and reviewing supplier rosters.
6. **Management issues – knowledge management.** WFP highlights the importance of maintaining clear and accessible operational documentation at all levels. To support the consistent and informed implementation of activities, WFP will continue to ensure that offices have their standard operating procedures, rules, templates, guidance and other key documents properly approved, regularly updated, and readily available to all employees.
7. **Accounting.** WFP will continue to ensure the financial accuracy and compliance of its financial reporting. To address the delays in transaction recording that are due to operational constraints, WFP's financial closure process includes a dedicated procedure for disclosing such cases, enabling global headquarters to reconcile and report them in line with International Public Sector Accounting Standards. WFP will also issue technical guidance to support offices in recognizing appropriate provisions for potential dismantling costs of the leasehold improvements. This guidance will ensure that obligations related to the dismantling of leasehold improvements are properly accounted for in the correct period, and will help offices to plan and allocate resources effectively by having cost estimates available at the time of lease negotiation.
8. **Recurring audit issues.** WFP is actively addressing recurring audit issues through strengthened guidance, enhanced tools and increased support for country offices. Since May 2025, WFP has required offices to implement updated guidance on risk-informed spot checks, with full implementation expected by the end of the year and annual plans finalized by the beginning of 2026. Global headquarters has worked closely with country offices to improve the accuracy and reliability of the asset register, including by automating the enhanced goods receipt transaction for asset creation; issuing comprehensive physical count and reconciliation reports to highlight country offices' performance and guide follow-up actions; launching the property survey board platform to streamline and accelerate disposals; and holding webinars to enhance employees' capacity. Decentralization has further empowered field staff to manage assets directly, contributing to a notable reduction in unreconciled items during the 2024 physical count and reconciliation exercise. In response to concerns regarding the management of personnel files, WFP issued guidance on the management of human resources documents in October 2024 following the roll-out of the "Workday" platform, and reissued the enhanced

guidance for a broader audience in March 2025, while also publishing it on Workday. WFP will formalize guidance on disaster recovery planning through a Chief Information Officer information note, clearly defining the criteria for when recovery plans are required for disasters related to information and communications technology. WFP issued new guidance on the delegation of financial authority, introducing quarterly reviews and ensuring that financial delegations are reflected in the WFP Information Network and Global System (WINGS). WFP is also looking into the integration of the financial dashboard and WINGS, acknowledging that updates to these systems may be delayed owing to the need for additional resources. To improve accrual submissions, in its year-end financial closure guidelines and related webinars, WFP will continue to emphasize the importance of submitting complete and accurate accrual statements and conducting thorough reviews of open purchase orders.

9. To conclude, while acknowledging the recommendations from this audit, WFP highlights the closure of 100, about 79 percent, of the 127 outstanding External Auditor recommendations issued over the period 2018 to 2023, reflecting management's continued commitment to the timely implementation of recommendations. WFP appreciates the constructive approach taken by the External Auditor, which has fostered continuous dialogue with management. Looking ahead, management will continue to address recurring issues – including by following up on recommendations from previous years, as reported in the annex to the summary field report. Stronger collaboration across country offices and regional offices, reinforced by technical support from global headquarters, will ensure timely action and consistent alignment with corporate guidelines, for the benefit of WFP and the people it serves.