RESOURCES, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON UNITED NATIONS HUMANITARIAN RESPONSE DEPOT

E

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 WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

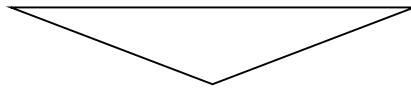|		
Director, OSL*:	Mr W. Herbinger	tel.: 066513-2547
Network Coordinator, UNHRD**:	Mr P. Honnorat	tel.: 066513-2302

Should you have any questions regarding availability of documentation for the Executive Board, please contact the Conference Servicing Unit (tel.: 066513-2645).

*   Logistics Division
** United Nations Humanitarian Response Depot

DRAFT DECISION[*]

<div style="text-align:center;">▼</div>

The Board takes note of "WFP Management Response to the Recommendations of the Report of the External Auditor on United Nations Humanitarian Response Depot" (WFP/EB.A/2014/6-H/1/Add.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.

<div style="text-align:center;">WFP
wfp.org</div>

INTRODUCTION

1.   This document presents the Secretariat's response to the recommendations in the "Report of the External Auditor on United Nations Humanitarian Response Depot" (WFP/EB.A/2014/6-H/1).

2.   WFP management recognizes UNHRD's achievements in supporting the humanitarian community, and its increasingly important role for WFP's emergency preparedness and response strategy.

3.   WFP management welcomes this first external audit of UNHRD and the recommendations, which will help enhance UNHRD's operational efficiency, effectiveness and long-term financial sustainability. UNHRD has grown over the past 13 years from a single depot to a global emergency preparedness and response platform supporting the wider humanitarian community. WFP management acknowledges the need to review, analyse and realign UNHRD processes and protocols to adapt to changing requirements.

4.   Specific responses to the recommendations are presented in the attached matrix.

<table>
<tr><td colspan="4" align="center">WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON UNITED NATIONS HUMANITARIAN RESPONSE DEPOT</td></tr>
<tr><td>External Auditor Recommendations</td><td align="center">Action by</td><td align="center">WFP management response</td><td align="center">Timeframe</td></tr>
<tr>
<td>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.</td>
<td>Logistics Division (OSL)

UNHRD</td>
<td>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.</td>
<td>First quarter 2015</td>
</tr>
<tr>
<td>Recommendation 1(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.</td>
<td>OSL

UNHRD</td>
<td>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.</td>
<td>Second quarter 2015</td>
</tr>
<tr>
<td>Recommendation 2(a): UNHRD should continue its current efforts of fund raising and engaging with donors for non-specific funding.</td>
<td>OSL

Partnership and Governance Services Department (PG)/UNHRD</td>
<td>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 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.</td>
<td>Fourth quarter 2014</td>
</tr>
</table>

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON UNITED NATIONS HUMANITARIAN RESPONSE DEPOT			
External Auditor Recommendations	**Action by**	**WFP management response**	**Timeframe**
Recommendation 2(b): UNHRD needs to explore alternatives for assured sources of funding, based on a long-term development plan.	OSL PG/UNHRD	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.	Second quarter 2015
Recommendation 3(a): The funding strategy for the Las Palmas hub, beyond the donor-committed period, needs to be worked out.	OSL/UNHRD	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.	As scheduled
Recommendation 3(b): New hubs may also be established, if warranted, to achieve broader objectives of the network, supported with strategic planning for future funding.	OSL/UNHRD	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.	Ongoing
Recommendation 4(a): A system needs to be put in place for close monitoring of receivables and timely realization of outstanding dues.	UNHRD	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.	Recommendation implemented

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON UNITED NATIONS HUMANITARIAN RESPONSE DEPOT			
External Auditor Recommendations	**Action by**	**WFP management response**	**Timeframe**
Recommendation 4(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.	UNHRD	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.	Third quarter 2015
Recommendation 4(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.	UNHRD	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.	Recommendation implemented
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.	UNHRD	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.	Third quarter 2014
Recommendation 5(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.	UNHRD	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.	Third quarter 2015

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON UNITED NATIONS HUMANITARIAN RESPONSE DEPOT			
External Auditor Recommendations	**Action by**	**WFP management response**	**Timeframe**
Recommendation 5(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.	UNHRD/ concerned divisions	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.	Fourth quarter 2014
Recommendation 5(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.	UNHRD/ Aviation Service (OSLA)	Agreed. Action has been initiated to facilitate the disposal of obsolete OSLA items.	Third quarter 2014
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.	Emergency Preparedness Division (OME)/ Budget and Programming Division (RMB)/ Procurement Division (OSP)	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.	First quarter 2015
Recommendation 6(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.	UNHRD	Agreed. WFP and partners will continue to receive regular alerts on the expiry dates of the food items stored in UNHRD depots.	Recommendation implemented

wfp.org
WFP

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON UNITED NATIONS HUMANITARIAN RESPONSE DEPOT			
External Auditor Recommendations	**Action by**	**WFP management response**	**Timeframe**
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.	UNHRD OSP	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.	First quarter 2015
Recommendation 8(a): Adherence to Standard Operating Procedures, in ensuring service delivery, needs to be strengthened.	UNHRD Information Technology Division (OST)	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 OST are working on a web-based application to enhance data analysis, reporting and oversight.	Second quarter 2015
Recommendation 8(b): Envisaged system improvements, in order to facilitate easy tracking of service deliveries and sales reconciliations, needs to be carried out.	UNHRD OST	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.	First quarter 2015
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.	UNHRD Human Resources Division (HRM)	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.	Third quarter 2014

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON UNITED NATIONS HUMANITARIAN RESPONSE DEPOT			
External Auditor Recommendations	**Action by**	**WFP management response**	**Timeframe**
Recommendation 10: Joint Directive for handling and reporting procedures for the Special Account needs to be issued on priority.	Resource Management and Accountability Department (RM)/ Operations Services Department (OS)	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 OS by the second quarter of 2014.	Second quarter 2014
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.	UNHRD	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.	Fourth quarter 2014
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.	UNHRD	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.	Second quarter 2015

wfp.org WFP

ACRONYMS USED IN THE DOCUMENT

OS	Operations Services Department
OSL	Logistics Division
OSLA	Aviation Service
OSP	Procurement Division
OST	Information Technology Division
RM	Resource Management and Accountability Department
SOP	standard operating procedure
UNHRD	United Nations Humanitarian Response Depot
WINGS	WFP Information Network and Global System

WFP
wfp.org