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PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS

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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.

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PROGRESS REPORT ON IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS

1. The Executive Director is pleased to submit this progress report on the status of implementation of the External Auditor recommendations on audits undertaken by the External Auditor. Progress reports are provided to all sessions of the Board. This progress report sets out the recommendations that were reported as outstanding in the last progress report and reports on actions taken and recommendations implemented subsequently.
2. In its report to the Second Regular Session of the Executive Board in October 2007 (WFP/EB.2/2007/5 (A, B, C, D, E, F, G)/2 + Corr.1), the Advisory Committee on Administrative and Budgetary Questions (ACABQ) noted that as the Executive Board meets three times a year, WFP submits three separate progress reports every year. ACABQ found that the frequency of these reports often did not allow sufficient time for implementation and validation by the Board, and opined that the Executive Board may wish to consider receiving only one progress report a year. Pending any Board decision on the frequency of progress reporting, the Secretariat will continue to provide the status of implementation of the External Auditor's recommendations at each Board session.
3. The present document includes the comments of the External Auditor on recommendations that the Secretariat has reported as completed.
4. The following matrix summarizes the outstanding recommendations and includes five recommendations arising from the recent external audit report on "Has Decentralisation Met the World Food Programme's Operational Needs?" (WFP/EB.2/2007/5-C/1). Of the 15 recommendations outstanding in August 2007 and the 5 new recommendations, 14 (70 percent) are reported completed as at 31 December 2007.

Audit report	Report date	Recommendations under implementation as at August 2007 (or received subsequently)	Completed as at December 2007	Percent complete
Upgrade of the WFP Information Network and Global System (WINGS)	May 2005	1	0	0
Review of the Dubai Support Office and Fast Information Technology and Telecommunications Emergency Support Team (FITTEST)	October 2005	3	3	100
Audit of the Financial Statements of the World Food Programme for 2004–2005	June 2006	2	1	50
Report of the External Auditor on Cost and Benefits of New Initiatives in Profile Raising	June 2007	3	0	0
Report of the External Auditor on Preparation of Financial Statements for 2006 – Progress Towards International Public-Sector Accounting Standards (IPSAS)	June 2007	6	6	100
Report of the External Auditor “Has Decentralisation Met the World Food Programme’s Operational Needs?”	September 2007	5	4	80
Total		20	14	70

PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS

External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments
Upgrade of the WFP Information Network and Global System (WFP/EB.A/2005/6-B/1/Rev.1)				
<i>User System Ownership and Acceptance Testing Procedure</i>				
<p>1. Recommendation 8</p> <p>To enable a results-based assessment of the effectiveness by which the upgrade meets its objective to reduce overall maintenance costs, we recommend that WFP consider the: quantification of the costs savings expected from reduced Headquarters resource requirements arising from the upgrade and planned outsourcing of activities currently completed in-house; and preparation of a specific target for cost reduction in system maintenance against which the upgrade can be assessed.</p>	<p>The strategy phase included an overall estimate of potential cost savings at Headquarters and in the field. The analysis work will be used to build on the existing estimates and to define targets.</p> <p>The governance structure will be used to ensure that the scope selected for implementation and the solutions chosen are based on the business cases presented by the divisions.</p>	<p>The estimate of potential cost savings has been completed and process objectives and targets were defined during the analysis phase. Process objectives and targets in the “to-be” analysis phase began in May 2006.</p> <p>The Business Blueprint will define the scope of SAP coverage and the extent of customization required.</p> <p>The Secretariat will be in a better position to estimate system maintenance costs once the business blueprint and the detailed design phase are completed in May 2007.</p> <p>The scope of applications and the number of gaps requiring custom development have been defined. These will be finalized when the fine-tuning of the project scope and ongoing re-design work is completed in October 2007. Once completed, the Secretariat will be able to better estimate overall system maintenance costs.</p>		
Review of the Dubai Support Office and Fast Information Technology and Telecommunications Emergency and Support Team (FITTEST) (WFP/EB.2/2005/5-G/1)				
<i>Mandate</i>				
<p>1. Recommendation 2</p> <p>I recommend that WFP clarify the reporting lines and accountability model for Dubai, and FITTEST; and update its guidance on the objectives of the operations; the process and the activities involved and stakeholder roles.</p>	<p>Agree.</p>	<p>A thorough review and evaluation of the WFP Dubai support office was undertaken; its functions and lines of responsibilities will be included in the Executive Director’s circular which will be prepared for the purpose.</p> <p>The Deputy Executive Director (DED) for Administration announced in July 2006 the appointment of the Director for the WFP Dubai Office who will report directly to the Deputy Executive Director for Administration. The office, however, will remain part of the Middle</p>	<p>The Executive Director’s circular outlining the scope of activities to be conducted by the Field Emergency and Support Office (FESO) and its accounting and reporting requirements in accordance with existing procedures was issued on 10 October 2007. This recommendation is deemed completed.</p>	<p>Reporting and accountability lines set out in the Executive Director circular clarify the Dubai model. Funding is partly through a new special account.</p>





External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments	
		<p>East, Central Asia and Eastern Europe Regional Bureau (ODC) for receiving communications that Headquarters normally distributes through regional bureaux (RBs) and staff participation in regional workshops and training initiated by Headquarters or RBs.</p> <p>The objectives and operational profile of the WFP Dubai office are being expanded and will be formally defined. WFP Dubai management would collaborate with The Boston Consulting Group (BCG) in defining the new operating model.</p> <p>The Executive Director has approved the establishment of the Dubai office as an administrative regional office that will provide expanded services to meet the needs of the country offices (COs), particularly during emergencies. The Secretariat believes that the Executive Director's decision memorandum of 15 June 2006 defines the present role and reporting lines for the Dubai regional administrative office.</p> <p>A new structure was formalized in 2006; the Dubai office has been renamed WFP Field Emergency and Support Office (FESO).</p>			
Risk Management					
2.	<p>Recommendation 4</p> <p>I recommend that any Secretariat review of telecommunications and non-food procurement service provision should address how responsibilities for priority setting are set at a senior management level and clear lines of responsibility established.</p>	<p>There are no current indications that the services provided by the Dubai support office for non-WFP activities would jeopardize responsiveness to WFP's emergency activities, but the risk exists in future, particularly in the area of FITTEST.</p>	<p>Management responsibility for priority setting and clear lines of responsibilities will be addressed in the Executive Director's circular which will include lines of responsibilities and delegation of authority.</p> <p>The Executive Director decision memorandum of 15 June 2006 defines the current role and reporting lines of the Dubai regional administrative office. New procedures for off-shoring non-food procurement from Headquarters to Dubai were also established. Procurement activities currently undertaken by the Dubai office have been part of this off-shoring activity and under the responsibility</p>	<p>The Executive Director's circular was issued on 10 October 2007. This recommendation is deemed completed.</p>	<p>We will continue to review the effectiveness of Secretariat prioritisation and the allocation of responsibility in our future audit visits.</p>

External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments
		<p>of the Regional Director of the Dubai regional administrative office.</p> <p>As mentioned above, a new structure had been formalized in 2006 and reporting lines have been defined. In addition, new procurement procedures have been initiated by Administration Department (AD) with the off-shoring of non-food procurement to Dubai. Dubai's existing procurement will also be subsumed into this service.</p>		
Value for Money				
<p>3. Recommendation 6</p> <p>I recommend that WFP develop a robust cost identification model and basis for charging fees to enhance transparency and accountability before extending the principle of full cost recovery to other support functions.</p>	<p>The 2004 deficit of US\$600,000 mentioned in the report was mainly a result of fewer projects than anticipated being allocated to WFP Dubai. However, the system to estimate the projects for the subsequent year was reviewed quarterly and proved to work in 2005.</p> <p>The current cost recovery model appears to work well, but a good deal of work is still needed in the area of monitoring indirect cost recovery and costs incurred.</p>	<p>The Secretariat has regularly reviewed the current cost recovery model in terms of the results of operations.</p> <p>A review of the 2005 financial results of WFP Dubai indicated the appropriateness and efficiency of the current cost recovery model. Nevertheless, the Secretariat will continue to monitor and improve it.</p> <p>With the development of the Fast Administrative Support Team (FAST) and the Global Vehicle Leasing Programme (GVLP) and initiatives to outpost functions from Headquarters, the models and basis for charging fees have to be continuously reviewed.</p> <p>The BCG study indicated that for the WFP Dubai support office to generate income, it has to run off-shoring and outsourcing services for WFP and others and provide emergency-response capacity in emergencies.</p> <p>The cost recovery model was extensively reviewed in the first quarter of 2007. The review included process mapping, identifying the components of overhead costs, which increased in proportion to increases in all business activities. This information is being considered in the cost recovery model being developed. The proposed cost recovery</p>	<p>The new cost recovery mechanism has been completed and is now being applied for all unit-specific support services and missions provided by FESO (both in and outside the United Arab Emirates).</p> <p>The next phase is to apply the cost recovery mechanism for support costs relating to the goods supply chain.</p> <p>This recommendation is deemed completed.</p>	<p>The Secretariat action addresses the recommendation. The extent of fee recovery of support functions should be reported to the Board through special reports and financial statements.</p>



External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments	
		<p>mechanism is due to be completed by the end of May 2007. As of January 2007, FESO had implemented a more stringent method of tracking indirect overhead costs, which are compared monthly with cost recoveries.</p> <p>The proposed cost recovery mechanism is in its final stage. Indirect costs are tracked in line with the new cost recovery mechanism and for the outposted activities already being undertaken by FESO. FESO is currently verifying the cost modalities for individual activities within FESO before making the final recommendation on changing the cost recovery modality.</p>			
Audit of the Financial Statements of the World Food Programme for 2004–2005 (WFP/EB.A/2006/6-A/1/3)					
Governance and internal oversight					
1.	Recommendation 1 To reinforce the independence of the Audit Committee and ensure a closer alignment of WFP's arrangements with best practice in governance, I recommend that the Executive Board formally acknowledge the role and mandate of the Audit Committee.	As noted by the External Auditor the Executive Director intends to enhance WFP corporate governance by extending the number of external members on the Audit Committee. The recommendation of the External Auditor is directed to the Executive Board and the Secretariat will act under the guidance of the Board.	No action is planned by the Secretariat, pending consideration by the Board.	No action is planned by the Secretariat, pending consideration by the Board.	



External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments
Transactions with the United Nations Development Programme				
<p>2. Recommendation 9</p> <p>I recommend that the Secretariat maintains its efforts to clear outstanding items from the United Nations Development Programme (UNDP) account 60015 to provide assurance that records of expenditure are complete and payments valid.</p>	<p>Reconciliation of the UNDP account is an ongoing activity that was impacted by problems with the monthly statements of account from UNDP following the implementation of their Atlas system in 2004.</p>	<p>With effect in 2007, individual ledger accounts have been created and assigned to RBs and COs in order to facilitate recording and clearing of UNDP transactions as well as to monitor finance officers' performance.</p> <p>A global reconciliation was submitted to UNDP in early 2007; reconciling items that were identified were referred to UNDP for adjustment. UNDP is undertaking its own verification of these reconciling items. These reconciliation and clearing activities take place regularly between WFP and UNDP headquarters and between Headquarters and its field offices to ensure that accounts are accurate and up to date.</p> <p>A full-time consultant has been hired since July 2007 and one of her major tasks is the reconciliation of UNDP transactions to ensure, among other things, that UNDP transactions are recorded promptly and accurately and that the amount of US\$4.9 million that has been referred to UNDP for adjustment is resolved. Progress has been achieved since then and out of US\$4.9 million, approximately US\$4.1 million has been resolved between WFP and UNDP. The remaining amount is still under verification by UNDP from its local offices.</p>	<p>The Secretariat has achieved significant progress in the recording and clearing of UNDP transactions. The creation of an individual ledger account for each RB/CO, and the timely upload of reports of expenditures paid by UNDP enabled WFP offices to identify and clear their respective transactions in a timely manner.</p> <p>Regarding the transactions amounting to US\$4.9 million that WFP referred to UNDP for adjustment, a total of US\$3.6 million has been adjusted. UNDP indicated that the remaining amount would be adjusted in December 2007.</p> <p>The Secretariat reiterates the ongoing nature of reconciling and clearing UNDP transactions and deemed this recommendation completed.</p>	<p>We will confirm the recovery of the remaining US\$1.3 million erroneously charged to WFP in our review of the 2006–2007 financial statements.</p>





External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments	
<p>Report of the WFP External Auditor on Cost and Benefits of New Initiatives in Profile Raising (WFP/EB.A/2007/6-D/1)</p>					
<p>Adequacy of Corporate Strategy</p>					
<p>1.</p>	<p>Recommendation 2</p> <p>We recommend that the Secretariat ensure that any private sector strategy:</p> <ul style="list-style-type: none"> identifies and recovers full costs, including the cost of servicing any loans or other finance; specify expected rates of return on actual costs; and address any risk of falling behind the planned schedule for fundraising from the private sector. 	<p>Agreed.</p> <p>All private sector donations are subject to the 7 percent indirect support costs (ISC) required by WFP's financial rules and regulations and include an obligation to cover the costs of managing and implementing the donation. The rate of return of private sector donor relations activities will be calculated on an annual basis.</p> <p>The Private Sector Fundraising Division (FDP) will submit its private sector fundraising strategy to the Board to ensure it meets its fundraising targets.</p>	<p>A long-term private-sector strategy paper, which includes the financial plan, is up for consideration by the Executive Board in October 2007.</p> <p>An informal consultation in July 2007 provided Members of the Board with the opportunity to share their views on this issue.</p>	<p>In consultation with the Bureau of the Executive Board, "Private-Sector Partnerships and Fundraising Strategy" has been deferred for presentation at the First Regular Session of the Executive Board in February 2008. A second informal consultation on the subject was held on 17 December 2007.</p>	
<p>2.</p>	<p>Recommendation 3</p> <p>We encourage the Secretariat to ensure robust performance targets in future communications strategies:</p> <ul style="list-style-type: none"> quantify expected costs to be recovered over a set timeframe; and set targets for increased funding to be achieved against existing levels. 	<p>Agreed.</p> <p>Communications and advocacy can help make the general public, donors, the private sector and political decision-makers aware of hunger issues and WFP activities. Advocacy is often critical in generating financial support in a competitive funding environment.</p>	<p>The strategic plan for private-sector fundraising details the increase in funding and the related costs.</p> <p>By their nature, it is seldom possible to demonstrate a one-to-one link between particular communications and awareness activities and levels of funds raised. However there are some notable examples (Niger, Darfur, Cambodia) where the direct link between awareness raising and resource mobilization is clear.</p>	<p>The Secretariat refers to the action taken in relation to recommendation 2, above.</p>	

External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments	
Achievement and Quantification of Key Benefits					
3.	<p>Recommendation 8</p> <p>We encourage the Secretariat to maintain its efforts to set realistic objectives against which to assess performance and to address the risk of unforeseen resource requirements through:</p> <ul style="list-style-type: none"> • analysis of cost prior to commitment to major activities to assess risks to WFP; • encouragement of partners to take responsibility for any residual risk as part of their commitment to events; and • monitoring of progress against objectives based on previous experience or expert advice to ensure the ongoing viability of events. 	<p>Agreed.</p> <p>Those elements of this recommendation that refer to Walk the World are dealt with in recommendation 4.</p>	<p>On the second bullet point, the initial goal to have 10 percent of all income funded by the private sector was more an optimistic ambition than a realistic assessment of possibilities. At the time, the capacity to assess the potential was not as developed as it is now. The private-sector strategy, considered by the Executive Board in October, is based on robust and realistic analysis.</p> <p>The Secretariat also refers to the action it has taken in relation to recommendation 4, above.</p>	<p>The Secretariat refers to the action it has taken in relation to recommendation 2, above.</p>	
Report of the WFP External Auditor on Preparation of Financial Statements for 2006 – Progress towards IPSAS (WFP/EB.A/2007/6-F/1)					
Lessons of 2006 Preparation of Financial Statements					
1.	<p>Recommendation 1</p> <p>As part of the accounts planning process, we recommend that the Secretariat establish timely and effective quality review of the financial statements prior to submission for audit.</p>	<p>In preparing the 2006 financial statements, the Secretariat considered lessons learned from the past accounts closure exercises, including the provision of adequate time for the review of the draft accounts both by concerned staff within the Division of the Chief Financial Officer (CFO) and</p>	<p>The closure guidelines for the 2006–2007 biennial closure of accounts will provide adequate time to concerned officers who will review the financial statements to afford a quality review of the biennial accounts before the same are submitted to the external auditor for audit.</p>	<p>The Secretariat has issued guidelines for the 2006–2007 biennial closure of accounts detailing closure-related activities with set deadlines. Concerned staff in CFO, regional finance officers and Headquarters senior managers will undertake qualitative reviews of the financial statements before these are submitted to the External Auditor for audit.</p>	<p>We will assess the effectiveness of the review and preparation of the 2006–2007 biennium financial statements before reporting to the Executive Board in June 2008 in relation to recommendations 1,</p>





External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments
	<p>by senior management before the statement was finalized. Because this was the first time that a complete set of annual accounts was prepared, the Secretariat will again review the time allotted for closure-related tasks to ensure that a quality review of the 2006-2007 biennial accounts and subsequent annual accounts is undertaken before they are submitted to the National Audit Office (United Kingdom) (NAO) for audit.</p>		<p>In the review of accounts, lessons learned in the preparation of 2006 annual accounts will be considered, to ensure the accuracy of financial statements. This recommendation is deemed completed.</p>	<p>4, 6 and 7.</p>
<p>2. Recommendation 2 We recommend the Secretariat continue its efforts to clear outstanding items from the UNDP account to provide assurance that records of expenditure are complete and payments valid.</p>	<p>Agreed.</p>	<p>The Secretariat has always endeavoured for the timely clearances of outstanding transactions relating to UNDP. Transactions posted against individual UNDP accounts assigned for each CO or RB are closely monitored to ensure that expenditures are recorded on time and that clearance of these transactions are subsequently effected once a report of expenditures paid is received from UNDP.</p> <p>The Secretariat intends to perform another reconciliation at the end of 2007.</p>	<p>The Secretariat refers to the actions taken in relation to recommendation 9 (Transactions with the United Nations Development Programme) above, and emphasizes the efforts made and the significant improvements achieved in the recording and clearing of UNDP transactions. In November 2007, updated guidelines on the recording of UNDP-related transactions were issued. These emphasize not only timely recording and clearing of UNDP transactions, but also the immediate identification of transactions that are erroneous and the reporting of these on a monthly basis and within set deadlines. The number of open items has declined significantly owing to joint efforts by Headquarters and field offices in analysing and clearing these items.</p>	<p>The Secretariat continues to address the recommendation. A new UNDP 60-day deadline in 2008 for identification of invalid charges reinforces the need for ongoing timely review of transactions.</p>

External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments	
			The continuous efforts of the Secretariat and progress made in the timely recording and clearing of UNDP transactions provide assurance of the accuracy of recorded transactions. This recommendation is deemed completed.		
Accounting Policy Changes					
3.	<p>Recommendation 3</p> <p>We recommend that the Secretariat ensure compliance with the IPSAS requirement for recognition of staff services which have been provided prior to the end of an accounting period.</p>	<p>In preparing for the transition to IPSAS in 2008 WFP has identified all areas where gaps exist between the requirements under United Nations System Accounting Standards and those of IPSAS. One of the major changes under IPSAS will be in the accrual and reporting of employee benefit liabilities and WFP has taken the necessary action to ensure that the information will be available and reported correctly. The issue of employee liabilities was also reported to the Executive Board at its 2007 Annual Session in the document "Fourth Progress Report on the Implementation of International Public Sector Accounting Standards" (WFP/EB.A/2007/6-A/1).</p> <p>Although full IPSAS implementation will not take effect before 2008, the Secretariat is considering the possibility of accruing for employee benefits as at</p>	<p>The Secretariat is considering the possibility of accruing all staff liabilities at the end of 2007.</p> <p>When WFP introduces IPSAS in 2008, this reporting requirement will be implemented as for all others under IPSAS.</p>	<p>One of the major changes under IPSAS will be the accrual and reporting of employee benefit liabilities. WFP has taken the necessary action to ensure that such information will be available and reported correctly.</p> <p>Although full IPSAS implementation will not take effect before 2008, the Secretariat will accrue for employee benefits at the end of 2007 and reflect the same in the 2006–2007 financial statements.</p> <p>This recommendation is deemed completed.</p>	<p>We will consider the appropriateness and extent of recognition of employee benefits in our examination of the 2006–2007 financial statements.</p>





External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments
	the end of 2007 and including these in the biennial financial statements for 2006–2007.			
Development of Financial Systems to Support IPSAS				
<p>4. Recommendation 4</p> <p>As part of the accounts preparation planning, we recommend that the Secretariat coordinate timely completion of management controls which allow for effective management quality review of the financial statements, prior to submission for audit.</p>	<p>The Secretariat will reconcile the WFP Information Network and Global System (WINGS) and the Resource Mobilization System (RMS) immediately following the closure of period 12 to enable timely correction of any discrepancies. It is to be noted that when WINGS II is implemented, RMS will be replaced by an integrated solution, called Grants Management Module, which will eliminate the need for such reconciliations.</p>	<p>The closure guidelines for the 2006–2007 biennial closure of accounts will provide detailed instructions on the timely completion of management controls to ensure that all income is properly recorded.</p>	<p>With the issuance of guidelines for the 2006–2007 biennial closure of accounts, outlining the activities to be undertaken and the deadline set for reconciling RMS and WINGS, the Secretariat is confident that all income earned is recorded in the appropriate accounting period.</p> <p>This recommendation is deemed completed.</p>	<p>We will assess the effectiveness of the review and preparation of the 2006–2007 biennium financial statements before reporting to the Executive Board in June 2008 in relation to recommendations 1, 4, 6 and 7.</p>
<p>5. Recommendation 6</p> <p>We recommend that the Secretariat reinforce the allocation of income and expenditure to appropriate accounting periods by:</p> <ul style="list-style-type: none"> considering a shorter period for income and expenditure to be recorded after the end of each year before closure of the accounting records and preparation of the financial statements; 	<p>After due consideration, the Secretariat deems it not prudent to have a shorter period for posting income and expenditure items before closure of the accounting records. WFP has a significant number of transactions, and COs need adequate time to ensure that items are booked in the correct period. The closure instructions for the 2006-2007 biennium accounts preparation will again put emphasis on the</p>	<p>In June 2007 the Secretariat issued a joint message from the Deputy Executive Directors of Operations and Administration on expenditure recognition to emphasize the importance of recognizing expenditures at the appropriate accounting period. It will also require certification from concerned officers that transactions are properly reflected and recorded in WFP accounting records</p>	<p>Since early 2007, a number of measures have assisted the Secretariat in achieving a successful 2006–2007 closure of accounts.</p> <p>In June 2007, a joint memorandum was issued by the Deputy Executive Directors for Operations and Management. This was addressed to managers and emphasized adherence to the new accounting policy on accrual of expenditures at the end of the accounting period, on the basis of goods or services received or the “delivery principle”. A similar memorandum was issued by the</p>	<p>We will assess the effectiveness of the review and preparation of the 2006-2007 biennium financial statements before reporting to the Executive Board in June 2008 in relation to recommendations 1, 4, 6 and 7.</p>



External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments
<ul style="list-style-type: none"> ensuring income and expenditures are recorded to the accounting period evidenced by the accounting records; and reissuing guidelines with lessons arising from the preparation of the 2006 financial accounts. 	<p>importance of recording financial transactions in the appropriate period, specifically on income and expenditure recognition policies. In addition, training/information dissemination will be conducted in both Headquarters and field offices, targeting finance officers and concerned staff from spending and fundraising units. Two of the major areas to be given focus, which will assist in the accuracy of the 2006-2007 biennial accounts, are the recording of expenditures and recording of contribution income in the appropriate accounting periods.</p>		<p>Director, Transport and Procurement Division (ODT), in December 2007 reiterating the basis for recognizing expenditures and addressed to those who are responsible for initiating these transactions in WINGS, such as logistics and procurement officers. A series of workshops were held in Headquarters and field offices to increase awareness of the new accounting policy and to emphasize the importance of timely and accurate recording of financial transactions in the appropriate accounting period. Guidelines for closure of the 2006–2007 biennial accounts were prepared, taking into account lessons learned during preparation of the 2006 annual accounts and past accounts closure. The Letter of Representation which will be completed by concerned managers has also been amended to provide that managers confirm that income and expenditure are recorded in the appropriate accounting period.</p> <p>The Secretariat considers that it has taken all actions required to ensure a successful 2006–2007 accounts closure. This recommendation is deemed completed.</p>	



External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments	
IPSAS Project Management					
<p>6.</p>	<p>Recommendation 7</p> <p>We encourage the Secretariat to ensure that the:</p> <ul style="list-style-type: none"> • schedule for implementation of WINGS II enables adequate time for the establishment of auditable financial statements at the end of 2008 which comply with international public sector accounting standards, and • accounting difficulties identified during our financial review of the financial statements for 2006 are fully addressed and communicated to staff. 	<p>The Secretariat is reviewing the implications of IPSAS compliance for 2008 on the schedule of implementation of WINGS II. The Secretariat has fully noted the points raised from the audit review and has taken appropriate action.</p>	<p>The Secretariat has been working to ensure that the 2008 financial statements will be IPSAS compliant.</p> <p>The actions taken by the Secretariat, as included under recommendations 3, 4, 5 and 6, will be strictly enforced and observed to ensure the accuracy and timeliness of the financial statements.</p>	<p>The Secretariat reiterates that efforts are being made to ensure that the 2008 financial statements are IPSAS-compliant.</p> <p>The Secretariat refers to the actions taken in relation to recommendations 3, 4 and 6, above, to ensure the timeliness and accuracy of recorded transactions.</p> <p>This recommendation is deemed completed.</p>	<p>We will assess the effectiveness of the review and preparation of the 2006-2007 biennium financial statements before reporting to the Executive Board in June 2008 in relation to recommendations 1, 4, 6 and 7.</p>

External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments
Has Decentralisation Met the World Food Programme's Operational Needs? (WFP/EB.2/2007/5-C/1)				
<i>Adequacy of guidance on oversight and management responsibilities</i>				
<p>1. Recommendation 1</p> <p>As part of its review of organizational restructuring, we encourage the Secretariat to consider whether there is sufficient justification for maintaining the extant regional structure, in particular by:</p> <p>(i) Reviewing the flexibility that current circumstances provide for differing operational needs and the appropriate number of COs to be supported by each RB;</p> <p>(ii) Considering the requirement for timely alignment of regional food allocations to beneficiary numbers; and</p>			<p>WFP has been reviewing the structure and locations of RBs since decentralization was adopted. Most recently, the structures of the Regional Bureau Dakar (ODD), the Central Africa Regional Office Yaoundé (ODDY), the Regional Bureau Kampala (ODK), and the Regional Bureau Johannesburg (ODJ) have been reviewed during the 2008-2009 Management Plan exercise.</p> <p>(i) Agreed. During the 2008-2009 Management Plan exercise senior management carried out a review of the RBs and COs and recommended changes to meet differing operational needs. For example, ODDY's responsibilities have been taken up by ODD; and ODK and ODJ will be merged into one RB. Both these changes will take effect in 2008.</p> <p>(ii) Disagreed. The amount of food (mt) is not directly proportional to the amount of support required from RBs/HQ. In fact, it is often indirectly proportional as COs supporting smaller beneficiary caseloads may require more support from RBs/HQ than the COs supporting larger caseloads. Furthermore, the relationship between beneficiary numbers and food</p>	<p>The Secretariat reviewed the organisational structure and continues to develop the Management Strategy with the Executive Board.</p> <p>We will review the effectiveness of new streamlined operations in relation to operational needs as part of our field visits in 2008.</p>





External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments
<p>(iii) Examining the scope for support services to more cost-efficiently take advantage of geographical proximity of offices across regional boundaries or established by other United Nations entities.</p>			<p>quantities (mt) is affected by the type, duration and complexity of the programme, the capacities of the host government, the physical infrastructure in the country and Strategic Objective 5 activities. A comparison of large, medium and small operations and their resource requirements would be a helpful analysis.</p> <p>(iii) The Operations Department (OD) carried out a survey during preparation of the Management Plan to ensure that support services are provided to COs in an effective and cost-efficient manner.</p> <p>The survey resulted in the streamlining and strengthening of support services provided to COs by RBs and Headquarters.</p> <p>The United Nations Humanitarian Response Depots (UNHRDs) are a good example of the benefits of support provision and geographical proximity of offices across regional boundaries in immediate response. The depots are located in Brindisi (Italy), Panama City, Accra (Ghana) and Dubai. Discussions are ongoing with the Government of Malaysia about establishing another depot in Subang, Malaysia.</p> <p>The actions taken by the Secretariat are adequate. This recommendation is deemed completed.</p>	

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<p>2. Recommendation 2</p> <p>We recommend that the Secretariat develop improved management oversight frameworks, agreed between RBs and COs and reviewed by the Oversight Services Division (OSD), which:</p> <p>(i) Better clarify consistent responsibilities for management oversight of regional and country operations; and</p> <p>(ii) Maintain an appropriate and independent management oversight of regional projects.</p>			<p>The existing guidelines on the management oversight framework indicated in the Operations Department (OD) directive "Guidelines for model structure, unit definitions, distribution and allocation of functions, functional statements, work flow and delegation of authority for the OD Bureaux" (OD 2000/004 dated 10 November 2000) and its subsequent review in "Report on the Findings of the Operations Review" dated April 2005 will be reviewed as recommended. .</p>	
<i>Appropriate transfer of skills and resources from Headquarters to the Field</i>				
<p>3. Recommendation 3</p> <p>We encourage the Secretariat to ensure that resources allocated to Headquarters, regions and COs reflect the respective workload of each organizational level and unit.</p>			<p>During the 2008–2009 Management Plan exercise, WFP used the opportunity to ensure that COs with different operational levels receive resources that correspond to their requirements. For example, "double hatting" is being introduced, whereby a country director from a neighbouring country or the RB supervises and manages selected COs.</p> <p>Similarly, for RBs and HQ offices, the responsibilities and nature of the work in each RB and OD office have been analysed and the allocation of resources determined.</p> <p>A stakeholders' review was conducted as part of the</p>	<p>Our ongoing review of unit and country office work loading will examine the impact of the Secretariat's actions.</p>





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			<p>2008-2009 Management Plan exercise. The group which comprised senior managers from COs, RBs and Headquarters spent a substantial amount of time recommending resource levels based on a careful review and prioritization exercise.</p> <p>This recommendation is deemed completed.</p>	
<p>4. Recommendation 4</p> <p>We recommend that the Secretariat ensures improved and efficient processes for staff appointments and reappointments, with appropriate and economic timeframes for staffing contracts and consultancy assignments.</p>			<p>The Contracts Team and Consultancy Unit was established in Headquarters to ensure quality and speedy service for WFP hiring divisions, and to manage all aspects of the various contractual status and applicable contractual tools (issuance, queries, payments) consistently and efficiently, especially during emergencies.</p> <p>Since then, the Contracts Team and Consultancy Unit has drastically reduced inaccuracies and inconsistencies by streamlining the workflow, ensuring payments are duly processed and answering queries with a consistent approach.</p> <p>Since 2005, implementation of a standard contractual template system (Chameleon/Citrix Online Platform) has also reduced the time frame for issuing consultancy contracts from more than ten business days to less than five; with the same quality service being maintained. The services of contracts and entitlements teams are monitored through the</p>	<p>We will assess the extent to which the Secretariat oversees efficient staffing and consultancy assignment procedures and the expected improvement in results recorded to the tracking tool "AskHR".</p>

External Auditor recommendations	WFP response	Actions taken as at August 2007	Actions taken as at December 2007	NAO Comments	
			<p>"AskHR" tracking tool, which shows reduced response times.</p> <p>The Contracts Team and Consultancy Unit has established systematic workflow and business mapping that facilitate reproduction in off-shoring/other environments.</p> <p>This recommendation is deemed completed.</p>		
<i>Cost-effectivity and efficient use of resources in decentralization</i>					
5.	<p>Recommendation 5</p> <p>We recommend that in considering how costs can be reduced to remain in line with available funding, the Secretariat should explore whether the existing operational structure and operational support solutions might be made more cost efficient through the rationalization of regional infrastructure in line with need and more economic alternatives.</p>			<p>Agreed. The issue was taken on board by senior management during the 2008–2009 Management Plan exercise. This is reflected in the Secretariat's responses in relation to recommendations 1 and 3 above, such as: (i) the stakeholders' review; (ii) the reorganization of WFP; and (iii) the introduction of "double hatting" – e.g. São Tomé and Príncipe is to be supervised by WFP Cameroon; and Namibia, Lesotho and Swaziland are to be supervised by the regional bureau in Johannesburg. WFP has also taken on board the regional coverage arrangements of other United Nations agencies. These efforts are planned to continue.</p> <p>This recommendation is deemed completed.</p>	<p>We will examine the effectiveness of the new initiatives by comparing results against available funding in our future reports.</p>



ACRONYMS USED IN THE DOCUMENT

ACABQ	Advisory Committee on Administrative and Budgetary Questions
AD	Administration Department
BCG	The Boston Consulting Group
CFO	Chief Financial Officer
CFOAG	General Accounts Branch
CO	country office
DED	Deputy Executive Director
DSC	direct support costs
FAST	Fast Administrative Support Team
FDP	Private Sector Fundraising Division
FESO	Field Emergency and Support Office
FITTEST	Fast Information Technology and Telecommunications Emergency Support Team
GVLDP	Global Vehicle Leasing Programme
ICT	information and communications technology
IPSAS	International Public-Sector Accounting Standards
ISC	indirect support costs
NAO	National Audit Office (United Kingdom)
OD	Operations Department
ODC	Middle East, Central Asia and Eastern Europe Regional Bureau
ODD	Regional Bureau Dakar
ODJ	Regional Bureau Johannesburg
ODK	Regional Bureau Kampala
ODDY	Central Africa Regional Office Yaoundé
ODT	Transport and Procurement Division
OSD	Oversight Services Division
PSA	Programme Support and Administrative (budget)
RB	regional bureau
RBM	results-based management
RMS	Resource Mobilization System
UNDP	United Nations Development Programme
UNHRD	United Nations Humanitarian Response Depot
VAM	vulnerability analysis and mapping
WINGS	WFP Information Network and Global System