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Agenda item 6

For consideration



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PROGRESS REPORT ON IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS ON 2004–2005 OPERATIONS

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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 ON 2004–2005 OPERATIONS

1. The Executive Director is pleased to submit this progress report on the status of implementation of the External Auditor recommendations on 2004–2005 operations as summarized below:

| Audit report | Report date | Total recommendations | Completed as at 31 December 2006 | Percent complete |
|--|--------------|-----------------------|----------------------------------|------------------|
| Review of Financial Reporting Standards | January 2005 | 1 | 1 | 100 |
| Upgrade of the WFP Information Network and Global System (WINGS) | May 2005 | 9 | 6 | 67 |
| Review of the Dubai Support Office and Fast Information Technology and Telecommunications Emergency and Support Team (FITTEST) | October 2005 | 8 | 4 | 50 |
| Review of the Arrangements for Reporting Post-Delivery Food Losses to the Executive Board | January 2006 | 10 | 8 | 80 |
| Review of the Results-Based Management Framework for Monitoring and Reporting Results | June 2006 | 7 | 5 | 71 |
| Audit of the Financial Statements of the World Food Programme for 2004–2005 | June 2006 | 10 | 6 | 60 |
| Total | | 45 | 30 | 72 |

2. The recommendations made by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) in its report (WFP/EB.A/2006/6(A,C,D,E,F,G,H,I,J,K)/2) and the Finance Committee of the Food and Agriculture Organization of the United Nations (FAO) (WFP/EB.2/2006/6(A,D,E,F,G,H,I)/3) that the progress report on the implementation of the External Auditors' recommendations should include observations of the External Auditor, in particular as to whether the completed status has been verified and accepted by the External Auditor have been addressed in the present report.
3. The External Auditor agreed that comments would be provided on completed recommendations.
4. The format of this report and future progress reports is therefore amended in line with the recommendations.



PROGRESS REPORT ON IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS ON 2004–2005

OPERATIONS

| External Auditor's recommendations | WFP response | Actions taken to date or to be taken as at August 2006 | Actions taken to date or to be taken as at December 2006 | NAO Comments |
|--|---|---|--|--|
| Review of Financial Reporting Standards (WFP/EB.1/2005/5-E) | | | | |
| <p>Recommendation. Compliance with International Accounting Standards or International Public Sector Accounting Standards will ensure a quality and utility of financial reporting that in our view presents advantages over the United Nations Accounting Standards. We recommend that the secretariat and the Executive Board give consideration to the adoption of independent international accounting standards by the World Food Programme.</p> | <p>The Secretariat agrees with the recommendation and, on the basis of the Board's decision, will prepare a report to the Board on issues related to a move to international accounting standards, including action taken in the United Nations system.</p> | <p>A report was submitted to the Board, which endorsed the proposed move to international accounting standards at the Second Regular Session in November 2005.</p> <p>Completed.</p> | <p>Completed.</p> | <p>Compliance with IPSAS is planned for 2008.</p> |
| Upgrade of the WFP Information Network and Global System (WFP/EB.A/2005/6-B/1/Rev.1) | | | | |
| Assessment of risk and communicating management aims and direction | | | | |
| <p>Recommendation 1. In view of the potential impact of the upgrade approach endorsed by management, we recommend that WFP ensures that the Phase 1 strategy supports a methodology for the implementation which encompasses: a robust risk assessment of the upgrade which takes into account the impact of other</p> | <p>Recommendation was addressed by Phase 1 (Strategy), which considered the impact of other initiatives and included a feasibility study for payroll options, including outsourcing.</p> | <p>Phase 1 has been completed. The methodology included assessment of the impact of other current and planned initiatives and associated risks. The Human Resources (HR)/payroll feasibility study has also been completed.</p> <p>Completed.</p> | <p>Completed.</p> | <p>Phase 1 of the upgrade has been completed.</p> <p>We plan to consider the benefits achieved and monitor costs in a review of WINGS after the implementation of the upgrade.</p> <p>Our normal audit practice remains that</p> |



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| concurrent business initiatives; quantified estimates of the cost, benefits and an assessment of the associated risks of initiatives such as outsourcing of payroll or accounts payable; and Information technology initiatives in accordance with the Management Priorities endorsed by the Executive Board in May 2004. | | | | we report any significant lack of compliance with earlier recommendations to subsequent Executive Boards. |
| Recommendation 2. We recommend that WFP determine the proposed duration of SAP support for the software version 4.7, to allow an informed risk and cost comparison of the alternatives of upgrading to SAP version 4.7 or 5 at this time. | Phase 1 included evaluation of target SAP software versions and recommended version 5.0 as the target version, which is the latest mature version and the SAP solution for non-profit organizations. | <p>The target version of SAP 5.0 has been selected. The project plans to re-assess the target version at the end of the analysis phase to determine whether the project should upgrade to standard SAP 6.0 or PY-NPO on SAP 6.0.</p> <p>A workshop was conducted with SAP AG expertise to help the organization decide whether to upgrade to standard SAP 6.0 or to PY-NPO on SAP 6.0. A final decision has not yet been made, as WFP is waiting to clarify a few issues with SAP to help the project steering committee take a decision by end June 2006.</p> <p>The project steering committee has decided that the target version for the WINGS II upgrade is MySAP ERP 2005 (ECC 6.0).</p> <p>Completed.</p> | Completed. | We plan to consider the appropriateness of the selected SAP version in a review of WINGS after implementation of the upgrade. |
| Simplification of WINGS | | | | |
| Recommendation 3. We recommend that senior management direct the prioritisation procedure to ensure that the objective of improvement of business | The recommendation is supported; it is in line with senior management direction of the WINGS II project. Detailed project-governance processes need to be put in | The Phase 1 strategy recommended a process-based approach, starting with an analysis phase. Process owners have been appointed for each WFP process. Governance procedures and criteria for | Prioritization of the major process changes were completed in September 2006; the release strategy was defined, which includes determination of the scope of Release 1. | The prioritisation of major process changes and implementation of robust change control procedures has |





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| <p>performance results either from process changes to external to the WINGS system or a robust justification of the need for modifications which adapt standard SAP functionality.</p> | <p>place to ensure that this principle is enforced.</p> | <p>justifying modifications will be defined by March 2006, and priorities for business improvements at end of analysis phase will be determined.</p> <p>The analysis phase of the project has commenced. Eight process teams are mapping the organization's "as-is" processes. Issues and opportunities are being identified and were presented to the process owners for resolution in mid-April 2006.</p> <p>The "to-be" analysis phase of the project will then commence. The project team is developing criteria to aid in making decisions about the scope of the first release. At the end of the analysis phase, the project steering committee will decide about the scope.</p> <p>Following high level "to be" discussions with the help of the Boston Consulting Group (BCG), prioritization criteria were agreed by WFP senior management. Prioritization of the major process changes will be completed in November 2006.</p> | <p>Detailed design for Release 1 started in October 2006; change control processes have been introduced to manage change requests.</p> <p>Gap analysis procedures were defined that will allow evaluation of potential modifications only when there is a robust case to warrant such changes.</p> <p>This recommendation is deemed complete.</p> | <p>addressed the recommendation.</p> <p>We will assess the extent of inhouse process change external to the WINGS system and the effectiveness of change controls in subsequent audits.</p> |
| <p>Selection of Partner in Upgrade</p> | | | | |
| <p>Recommendation 4. Though this may initially be a more comprehensive task, we recommend that WFP consider the competitive tender of the full implementation for future major changes to information systems.</p> | <p>WFP did consider the recommended tendering option, but after review decided to tender for the strategy phase separately from the implementation phase.</p> | <p>Accenture was selected for the strategy phase, which has been completed. Requests for Proposal were issued for the implementation phases; four companies were selected to submit proposals for long-term agreements.</p> <p>The recommendation will be considered for future major changes and is therefore deemed complete for purposes of this progress report.</p> <p>Completed.</p> | <p>Completed.</p> | <p>We will consider the results achieved as part of our audit process.</p> |

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| Managing the IT Investment | | | | |
| <p>Recommendation 5. We recommend that WFP consider the establishment of a full baseline cost estimate of the existing system maintenance, and, for informed management assessment of the resources required for the upgrade, that the Secretariat ensure that Phase 1 establishes a robust cost estimate of the full costs of the project.</p> | <p>This recommendation was addressed in Phase 1 (Strategy), which included estimation of current costs and the resources and costs required for the full project.</p> | <p>Baseline costs for system maintenance and the budgetary resource and cost estimates for the full project have been defined.</p> <p>Completed.</p> | <p>Completed.</p> | <p>We will consider the effectiveness of management monitoring of baseline costs in subsequent audit work.</p> |
| Managing Human Resources | | | | |
| <p>Recommendation 6. We recommend that the Secretariat consider the introduction of a simple time recording mechanism for staff working on the project to assist cost calculation and the establishment of comprehensive knowledge transfer protocols to maintain the effective post implementation support of WINGS.</p> | <p>The strategy phase report also recommended introduction of project time recording, which has been introduced.</p> <p>Part of the approach to knowledge transfer is to include WFP staff in the implementation phases: business staff have been identified to lead process teams, with responsibility for rollout of process and solution changes to users. It is planned to assign ADI staff key technical roles to improve transition to support phase.</p> | <p>The project team includes WFP process team leaders, business users and ADI analysts and architects.</p> <p>Detailed training, approaches, plans and responsibilities will be defined during analysis.</p> <p>Timesheet recording is being applied for all human resources working on the project.</p> <p>All staff working on the project have been trained in the project methodology.</p> <p>ADI staff and business users have been seconded to the project on a full-time basis.</p> <p>Completed.</p> | <p>Completed.</p> | <p>We will consider resource utilisation in subsequent audit work.</p> |
| User System Ownership and Acceptance Testing Procedure | | | | |
| <p>Recommendation 7. To achieve these objectives, we recommend that Phase 1 includes plans for a robust user testing methodology in both Headquarters and country</p> | <p>The testing methodology was not defined in any depth in the Phase 1 strategy.</p> | <p>The high-level test approach was proposed by Accenture as part of the strategy phase.</p> <p>Detailed training, approaches, plans and responsibilities will be defined during analysis.</p> | <p>Stakeholders' validation workshops were completed in September 2006, followed by signing-off by process owners of process designs and major process changes.</p> <p>Release 1 test plans will be defined once the detailed design and Business Blueprint</p> | |





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| <p>offices, that encourages user ownership, leadership and support of any related business process improvement. The approval process of changes and after user acceptance testing should be on the basis of support for any related business change.</p> | | <p>The analysis phase is underway, and includes the definition of training plans and approaches, and plans and responsibilities related to user testing and ownership.</p> <p>Stakeholder validation workshops in September 2006 to test proposed process changes and will cover all functional areas, will be attended by Headquarters and field staff before the processes are finally approved by the process owners.</p> | <p>are completed.</p> | |
| <p>Recommendation 8. To enable a result-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.</p> <p>Process objectives and targets will be defined during the analysis phase.</p> <p>The "as-is" analysis was completed in April 2006. Process teams have been asked to identify process objectives and targets during the "to-be" analysis phase, which began in May 2006.</p> <p>Once decisions have been made about the scope and extent of customization permitted, ADI will be in a position to more easily quantify ongoing maintenance costs.</p> <p>The Business Blueprint, to be completed in early 2007, will define the scope of SAP coverage and the extent of customization required. It is envisioned that SAP coverage will increase while reducing customization. Once the blueprint is completed, the Secretariat will be more in a position to quantify system maintenance costs.</p> | <p>The Business Blueprint is scheduled to be completed in early 2007, at which time, the Secretariat will be able to establish system maintenance costs.</p> | |
| <p>Recommendation 9. In accordance with good practice, we recommend that prior to the selection of a future contractor/partner and the further implementation of the upgrade process, the WFP undertakes an independent</p> | <p>WFP does not consider that it would be valuable to engage another specialist firm to validate the recommendations from Accenture.</p> | <p>Terms of reference have been agreed with a senior independent consultant to conduct a review of the project, with the objective of assessing WFP's capability and capacity to deliver the vision underpinning WINGS II.</p> <p>This independent review is expected to be completed by March 2006.</p> | <p>There has been a delay in the selection and recruitment of a consultant to undertake the review of the project. The review is now expected to commence in early 2007.</p> | |

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| <p>implementation review of lessons learned from Phase 1 by a specialist in the Information Technology field. We believe the implementation of the upgrade and the degree of achievement of the ultimate objectives can be assessed by addressing six main areas, these being: a clearly defined scope for the project; Management of WFP's culture to accept change; ongoing commitment of Senior Management; changes in the business processes to match the new functionality; management of the technology used in the project; and the extent to which the project achieved the ultimate business objectives.</p> | | <p>The project leadership decided after the analysis phase commenced that it would be more advisable and useful to measure WFP's capability and capacity to deliver the vision, including assessing the six areas highlighted by the External Auditor, at the end of the analysis phase.</p> <p>Engagement of a senior independent consultant, originally scheduled for March 2006, has been deferred to July 2006, enabling the review findings to be available before the realization phase of the project, which is planned to begin in October 2006.</p> <p>Discussions with consultants regarding review of findings and the six areas addressed by the External Auditors has started. The consultant is expected to commence his review in November 2006.</p> | | |
| <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)</p> | | | | |
| <p>Mandate</p> | | | | |
| <p>Recommendation 1. I recommend that WFP obtain formal confirmation from its legal section that new contractual arrangements particularly in significant areas of activity remain within the general mandate of WFP.</p> | <p>The functions and scope of the Dubai support office have developed significantly since its establishment. Its mandate became an issue recently, particularly with respect to two contracts, one involving non-food procurement and the other provision of air transport service. The latter was clearly a humanitarian project involving demobilization / repatriation / reintegration, it was nevertheless felt</p> | <p>The original Executive Director's circular (ED2001/005) that established a special account for stand-by telecommunications equipment will be amended to define the expanded mandate of the Dubai support office. In the meantime, succeeding projects will have a contract clause, to be cleared by the Legal Department, that the activity is considered as part of WFP's mandate.</p> <p>All contractual arrangements in significant areas of activity have been reviewed by the Legal Department to ensure that they</p> | <p>Completed.</p> | <p>The establishment of procedures by which new contractual arrangements will be confirmed by the Legal Department has addressed the recommendation.</p> <p>Our general audit approach confirms that audited activities comply with WFP mandates.</p> |





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| | <p>necessary to obtain an extension of the mandate "on an exceptional basis" from the Executive Director for the Dubai office to enter into this agreement, given that there was nothing in their mandate that provided for such arrangements.</p> | <p>remain within the general mandate of WFP.</p> <p>Procedures are in place for new contractual arrangements to be passed on to the Legal Department for confirmation.</p> <p>Completed.</p> | | |
| <p>Recommendation 2. 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 is being undertaken; its functions and lines of responsibilities will be included in the amendments to the Executive Director's circular mentioned above.</p> <p>Effective March 2006, the Dubai support office reports directly to the Deputy Executive Director for Administration.</p> <p>The proposed amendment to the Executive Director circular will include the reporting lines and accountabilities of the Dubai support office and this will be issued in the second quarter of 2006.</p> <p>The DED for Administration announced in July 2006 the appointment of the Director for the WFP Dubai Office reporting directly to the DED for Administration. The office will remain part of ODC for receiving communications that Headquarters normally distributes through regional bureaux; staff will continue to participate in regional workshops and training initiated by Headquarters or regional bureaux.</p> <p>The objectives and operational profile of WFP Dubai office are being expanded and formally defined. WFP Dubai management will collaborate with BCG to define the new operating model; completion is expected in December 2006.</p> | <p>With the approval by the Executive Director on 15 June 2006 of the reorganization of the Dubai country office, the reporting lines for Dubai and FITTEST have been defined by transferring responsibility for the Dubai office from the Operations Department to the Administration Department. The Executive Director also approves the establishment of the Dubai office as an administrative regional office to provide expanded services to meet the needs of the country offices, 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>The new operating model is being developed with BCG; completion is expected in early 2007.</p> | |

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| Risk Management | | | | |
| <p>Recommendation 3.1 recommend that the Secretariat maintain rigorous and independent review of contractual procurement arrangements through the appropriate committee on contracts to continue addressing risks to propriety and transparency.</p> | <p>The Dubai-based group to which the adviser providing <i>pro bono</i> services to the Dubai support office is linked has been doing business with WFP since 2001, two years before any relationship between the individual and the support office, which started in September 2003.</p> <p>The External Auditor reportedly found no evidence of undue influence on contracts with WFP obtained by the group, but considered that a reputational risk exists at the corporate level. Consequently, the contract with the adviser has been terminated, effective September 2005. It should be noted that this individual provided very valuable contributions to the Dubai support office.</p> <p>Regarding the tyre purchase, the External Auditor noted that the requisition had been based on earlier prices quoted by the supplier, thereby reducing the likelihood of fully open competition for all suppliers. This arose from the fact that the country office requesting the tyres obtained quotations from a supplier informally and used the specifications from this when asking the Dubai support office for tendering. This situation was discovered in the normal review of large contracts by the Contracts</p> | <p>WFP's non-food procurement procedures will be reviewed with the objective of continuously addressing risks to full transparency.</p> <p>In the meantime, the Dubai support office has initiated regular review missions from the departments concerned: finance, budget, procurement, FITTEST, travel, HR and logistics. One purpose of these missions is to review the oversight in relation to compliance with WFP rules and regulations.</p> <p>The review missions were completed and written recommendations received; appropriate actions are being taken. An important objective of these missions is to ensure that the procedures are in keeping with standards.</p> <p>The standards for procurement rules and regulations are set by Headquarters and the Dubai support office is making every effort to ensure that these are adhered to and that a review process is in place.</p> <p>Completed.</p> | <p>Completed.</p> | <p>The monitoring reported by the Secretariat has addressed the recommendation which is for ongoing application.</p> |





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| | Committee at Headquarters, an indication that the governance function is effective. | | | |
| <p>Recommendation 4. 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 above.</p> <p>The amendment to the Executive Director's circular will include lines of responsibilities and delegation of authority.</p> <p>The amended circular will be issued at the end of December 2006, when the BCG review is completed; it will detail inter-office reporting lines, the scope of work and accountability and the operating business model, which will address in full the setting of priorities within the range of services to be provided by the WFP Dubai office.</p> | <p>The Executive Director's decision memorandum of 15 June 2006 defines the current role and reporting lines of the Dubai regional administrative office. The Secretariat has established new procedures for offshoring non-food procurement from Headquarters to Dubai; procurement currently undertaken by the Dubai office will become part of this offshored activity and will be under the responsibility of the Regional Director of the Dubai regional administrative office.</p> <p>The new operating model, which is expected to be complete in early 2007, will address the setting of priorities with respect to the services being offered by the office.</p> | |
| <p>Recommendation 5. I recommend that the Secretariat consider whether the available functionality and connectivity in WINGS could address the requirements of Dubai without system replication.</p> | <p>Agree.</p> | <p>In connection with the WINGS II upgrade project, a review will be undertaken to determine the best option for WFP Dubai's inventory system requirements, including a cost and management accounting system for projects that are on a full-cost-recovery basis.</p> <p>The structure of the special account in WINGS has been revised and new procedures have been implemented to better meet the requirements of the Dubai support office. The Secretariat is further investigating how WINGS II could help with the tracking of cost recovery.</p> <p>The WINGS II project staff have been coordinating with WFP Dubai on how the former could help with the tracking of cost recovery. WFP Dubai have initiated project tracking to facilitate reconciliation and reporting/tracking of cost recovery. It is also currently examining the suitability of getting reconciliation between WINGS and</p> | <p>The changes planned by the Secretariat will take effect when WINGS II is implemented in early 2008. The WFP Dubai support office is investing considerable time in ensuring that its requirements are taken into account in the final design of WINGS II.</p> <p>This recommendation is deemed complete.</p> | <p>The Secretariat has addressed the recommendation.</p> <p>We will consider the extent of system changes in subsequent audits.</p> |

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| | | the Great Plains system. The latter caters for the direct item based tracking needed on a realtime basis. | | |
| Value for money | | | | |
| <p>Recommendation 6. 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 will continue to review the current cost-recovery model in terms of the results of operations to improve the model.</p> <p>A review of the 2005 financial results of WFP Dubai indicates that the current cost recovery model is appropriate and forms a basis for cost-efficient operations. Nevertheless, the Secretariat will continue to monitor and improve on the cost-recovery model.</p> <p>The Dubai office is actively working on the cost identification on a further detailed level and this will be part of the BCG review.</p> <p>With the development of FAST (Fast Administrative Support Team) and GVLP (Global Vehicle Leasing Pool) as well as initiatives of outposting functions from Headquarters, the models and basis for charging fees are actively being pursued.</p> | <p>The study by BCG indicates that for the WFP Dubai support office to create a flow of income, it has to run off-shoring and outsourcing services for WFP and others and provide emergency-response capacity in emergencies.</p> <p>A new study is being undertaken to evaluate the modalities of charging and allocating costs for future application. The Dubai office will continue to charge on the basis of fixed percentages until the BCG study is completed. However, the charging for off-shored activities will be based on fixed budgets.</p> | |
| <p>Recommendation 7. I recommend that procurement costs and delivery times be provided for benchmarking purposes from all the major procurement facilities at WFP, at least for the high volume or value equipment and those available under long-term agreements agreed locally or centrally.</p> <ul style="list-style-type: none"> ➤ country offices and regional bureaux be informed of the alternatives of direct | Agree. | <p>In the light of the recommendations, the Secretariat will take additional steps to achieve the objective of promoting more cost-effective procurement in WFP.</p> <p>The costing calculation is being revisited. This will pay particular attention to the warehousing cost-benefit analysis.</p> <p>This approach will be used to justify any expansion of services in Dubai.</p> <p>Benchmarking will be made available for comparable items that are high-value or high-turnover.</p> <p>Long-term agreement (LTA) prices are available to all offices and the marking</p> | <p>As part of the off-shoring of non-food procurement to the Dubai office, benchmarks for cost and delivery time are being evaluated; these will be compared with Headquarters benchmarks to ensure that the Dubai office can deliver a comparable or better service at reduced cost. This study will be undertaken in the first quarter of 2007 in collaboration with the United Nations Office for Project Services (UNOPS).</p> <p>Field offices are made aware of equipment that is available from manufacturers through Procuweb; regular information bulletins are issued advising them of new LTAs.</p> <p>Specifications of ICT equipment are</p> | Pending completion of the comparative study in the first quarter of 2007, we consider this recommendation ongoing. |





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| <p>delivery of equipment by Dubai or direct purchase through long term agreements held at Headquarters; and</p> <ul style="list-style-type: none"> ➤ the Secretariat ensure that the specifications of key equipment are regularly reviewed in terms of identified operational need. ➤ any proposal to expand further the scale of non food procurement through the Dubai support office are subject to a thorough cost benefit appraisal. | | <p>from Dubai is clearly identified. Regional bureaux and country offices have the necessary information.</p> <p>Equipment specifications are regularly reviewed and updated.</p> <p>The review to be undertaken by BCG will include the areas below. WFP Dubai has not marketed procurement with direct delivery; rates will be reviewed as part of the costing review.</p> <p>Several global LTAs initiated by Headquarters have been awarded to the Dubai branch offices of global manufacturers; this dramatically increased service quality and minimized response time.</p> <p>For ICT equipment and services, there is a general project in place to address revised needs and propose a mechanism for closer monitoring and reviews.</p> <p>All expansions intended for the Dubai office, including procurement, will be justified in terms of costs.</p> | <p>regularly reviewed and updated. Vehicle specifications have been standardized; other categories of non-food items are to be reviewed.</p> <p>The Dubai office has expanded significantly as part of the off-shoring of procurement. This has been reviewed from business and cost-benefit perspectives; the resulting benefits have been established.</p> <p>This recommendation is deemed complete</p> | |
| Reporting and Performance Measurement | | | | |
| <p>Recommendation 8. I recommend that WFP consider the introduction of following performance indicators, measurement processes and assessment techniques:</p> <p>For assessment of operational efficiency in Dubai:</p> <ul style="list-style-type: none"> ➤ Emergency situation categorised and prioritised by the appropriate management as a | <p>Performance indicators have been defined for 2006–2007 biennium and were based on the results matrices from the Strategic Plan and Management Plan. The Dubai support office, a provider of services on a full-cost-recovery basis, may need a set of performance indicators for its operations.</p> | <p>The Secretariat will take account of the recommendations in determining the performance indicators to determine the operational efficiency, cost effectiveness and effective use of resources for the Dubai support office.</p> <p>The Dubai office will review its costing models to ensure that they reflect valid cost drivers and can be used to match income, which will allow for a cost-versus-income analysis to be done to focus the business. This will then be tied into performance indicators.</p> | <p>The Dubai office has started to review service-level agreements (SLAs) for services related to emergency and non-emergency requirements. The SLAs will be tailored to meet the needs of business units, which will facilitate the setting of performance indicators based on clients' needs.</p> <p>Since April 2006, a customer-satisfaction survey has been completed after each mission, the last one of which was of a major emergency project in which FITTEST was involved – the Lebanon crisis.</p> | |

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| <p>high priority could be set a stringent timeframe for delivery of communications and equipment and the percentage of delivery against these timeframes reported as result-based measures; and</p> <ul style="list-style-type: none"> ➤ For less urgent projects, performance could be reported against service delivery criteria agreed in advance with recipients and donors. <p>For consideration of cost effectiveness:</p> <ul style="list-style-type: none"> ➤ Dubai calculated a cost for retention of stock as part of its charging procedure. To allow informed assessment of cost effectiveness, the charge for stock retention should be reported and added to the cost of supply when comparison is made against other procurement units internal or external. <p>For consideration of the effective use of resources:</p> <ul style="list-style-type: none"> ➤ A measure of staff utilization, ➤ The proportion of | | <p>The intention is to move towards a full service-level management approach to business. However, the prioritization of projects and emergencies is done by the business owners, not by the Dubai office.</p> <p>Because the Dubai office is based on cost recovery, implementing these new approaches will depend on resourcing. The customer satisfaction survey is a good idea and will be done once resourcing has become clearer.</p> <p>As earlier indicated, the costing review will be part of the BCG review; the operating model for WFP Dubai will be defined in the next few months. Part of that definition will be a new costing approach, greater integration into corporate systems through WINGS II and performance indicators that reflect the quality of the services provided and the effectiveness of the office.</p> <p>FITTEST will conduct a customer-satisfaction survey in September 2006.</p> | <p>The financial reporting and costing review is underway in coordination with the WINGS II team.</p> <p>The measure of staff utilization is being defined as part of the review of SLAs. For some units, reporting will have to be adjusted to fit the new model as a result of the BCG review.</p> <p>The proportion of work related to operations is included in standard FITTEST annual reporting. This will be clarified further in the 2006 annual report for the Dubai office, which will set the standard for future reporting.</p> | |





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| <p>effort related to WFP operations</p> <ul style="list-style-type: none"> ➤ A survey of customer satisfaction (both internal and external). | | | | |
| <p>Review of the Arrangements for Reporting Post-Delivery Food Losses to the Executive Board (WFP/EB.1/2006/6-B/1)</p> | | | | |
| <p>Identification of Post-Delivery Loss</p> | | | | |
| <p>Recommendation 1. We recommend that WFP consider the use of risk profiling as a basis for focused monitoring, on which a more sensitive and reliable statistical assessment of total food loss might be reported.</p> | <p>Agree.</p> | <p>The Secretariat will explore methods and technical solutions for capturing losses at the distribution level through random sampling techniques, to be piloted in selected country offices in the second half of 2006.</p> <p>A working group has been established to assess sampling methods to address this recommendation. A mission will be conducted in one or two country offices during the second semester of 2006.</p> <p>Systematic random sampling in tracking and reporting commodity losses will ensure that data are obtained more quickly and this will be carried out by scientific and impartial means.</p> | <p>A formal risk-profiling method for country offices is now being developed as part of the risk-planning strategies. This is expected to be completed during the first quarter of 2007.</p> | |
| <p>Recommendation 2. We recommend that field monitors report all identified food losses regardless of size, to assist more accurate estimates of the extent of post-delivery losses for specific operations and for the World Food Programme as a whole.</p> | <p>Agree. The Operation Department's Annual Report Exercise Guidelines state: "It is important that WFP report all post-delivery losses, irrespective of the manner in which they have come to the Programme's attention." Guidelines will be reinforced to ensure that all losses are reported correctly and that country office (CO) programme units reconcile field monitoring reports on identified losses with losses reported in the Cooperating</p> | <p>OD will issue a directive in the second half of 2006 to country office programme units that they should reconcile reports from food aid monitors and CPs before inserting the data into COMPAS and should ascertain that loss data are captured in COMPAS.</p> <p>The revised Food Distribution Guidelines are now in the WFP <i>Programme Guidance Manual</i>. The PGM includes a chapter on distribution reporting in which the importance of timely submission of distribution reports by cooperating partners is emphasized.</p> <p>Country offices have been reminded of the</p> | <p>Completed.</p> | <p>Although the recommendation has been addressed, we will continue to review the reporting of food loss during our country office visits to confirm the effectiveness of management control over the accuracy and completeness of food loss reporting.</p> |

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| | Partner (CP) distribution reports. | importance of data quality and of reconciliation between cooperating partners' distribution reports and field distribution monitoring reports. Completed. | | |
| Recommendation 3. In order to increase transparency and accountability in the reporting procedures, we recommend that at the time of the annual post-delivery loss report to the Executive Board, WFP also report the value and amount of commodities in respect of which implementing partners reports have not been received. | Agree. Some COs have inserted estimated distribution by CPs on COMPAS if this was not covered by CP reports. This means that WFP's corporate systems allow reporting of distribution figures flagged as 'estimated' in terms of tonnage and in terms of cost of the commodities. | The Secretariat will report the cost and quantity of commodities not covered by CP reports, starting with the 2005 annual post-delivery loss report to the Board, in June 2006. This recommendation is deemed complete: the annual report is being finalized and will be submitted to the Board in June 2006. Completed. | Completed. | The enhanced reporting in the June 2006 post delivery loss report has adequately addressed the recommendation. |
| Recommendation 4. We recommend that WFP review local office systems being used to monitor implementing partner reporting, with a view to adopting a single system which could be made available worldwide. | Agree. Currently the cooperating partner reports are entered in COMPAS according to the cost-sharing arrangement between WFP and its CPs. | The Secretariat will explore the most appropriate means of monitoring CP reporting and adopt a single system by 2007. A single system of monitoring cooperating partner reporting will be adopted in 2007. | A single system for monitoring reporting by implementing partners has been developed with effect from 2007. This recommendation is deemed complete. | The introduction of a single system of monitoring cooperating partner reporting has addressed the recommendation. We will assess the effectiveness of the reporting in future field visits. |
| Post-Delivery Food Loss Reporting | | | | |
| Recommendation 5. Where food losses are identified after the post-delivery loss report for the relevant year has been provided to the Executive Board, we recommend that for comparative purposes an estimated valuation of commodities in addition to | Agree | Comparative figures will be included in the 2005 annual post-delivery loss report to be submitted to the Board in June 2006. This recommendation is deemed complete when the annual report is submitted to the Board in June 2006. Completed. | Completed. | The enhanced reporting in the June 2006 post delivery loss report has adequately addressed the recommendation. |



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| the metric tonnage should be reported. | | | | |
| <p>Recommendation 6. If losses are found to have occurred during prior years, we recommend that the methodology for estimation of the total loss valuation should be reported to the Executive Board.</p> | Agree | <p>The Secretariat will investigate the best methodology for estimating the total cost of loss that occurred during prior years and report this to the Board starting in June 2006 with the 2005 annual post-delivery loss report.</p> <p>This recommendation is deemed complete when the annual report is submitted to the Board in June 2006.</p> <p>Completed.</p> | Completed. | The enhanced reporting in the June 2006 post delivery loss report has adequately addressed the recommendation. |
| Food Delivery Monitoring Systems | | | | |
| <p>Recommendation 7. We recommend continued development of and use COMPAS to encompass complete reporting of the entire food supply chain, together with data validation and monitoring arrangements to ensure accuracy and reliability.</p> | <p>Agree. A number of initiatives are underway to enlarge the scope of COMPAS, the most important one being to amend COMPAS management guidelines to include:</p> <p>a) process control reports ensuring accuracy of WFP and CP commodity tracking data in COMPAS; and</p> <p>b) quarterly release to CPs of post-delivery loss information as determined through COMPAS.</p> <p>A further project is being formulated to introduce sampling methodology to commodity tracking and monitoring of food utilization at final delivery point (FDP) level.</p> | <p>The Secretariat is following up with country offices on the first quarter 2006 project status report on commodity accounting and advising them to submit the first quarter loss report to cooperating partners.</p> <p>During the second half of 2006, the Secretariat plans to do pilot tests in country offices (to be selected through random sampling techniques) to capture losses at FDP level.</p> <p>Process control reports are in place using the Discoverer reporting tool which can easily extract post-delivery losses.</p> <p>Country offices have completed two quarterly commodity accounting reports that reflect post-delivery losses. Country offices were advised to provide copies of the post-delivery loss reports with cooperating partners.</p> <p>Commodity accounting reports for the last two quarters of 2006 will be reported at the Board's 2007 First Regular Session.</p> | <p>The Secretariat is following up with country offices on the 2006 yearly project status report on commodity accounting. Country offices have completed quarterly commodity accounting reports reflecting post-delivery losses during the first three quarters of 2006. These reports are shared with cooperating partners.</p> <p>WFP distribution guidelines now include a new chapter on distribution reporting that emphasizes the importance of verification and reconciliation of the data in cooperating partner distribution reports.</p> <p>Process-control reports are in place that use the Discoverer reporting tool, which allows country offices, regional bureaux and Headquarters to extract reports on post-delivery losses.</p> <p>This recommendation is deemed complete.</p> | <p>Pending the presentation of the commodity accounting reports to this Executive Board, we consider the recommendation ongoing.</p> <p>We will continue to review country office reporting of the food supply chain and the ease of operation of the Discoverer reporting tool in our field visits.</p> |
| <p>Recommendation 8. On the basis of the experience</p> | Agree. The School Feeding Service of the Policy Strategy | PDPF will concentrate on the completion of the roll-out and the consolidation / | A suitable environment has been developed by PDPF, using the new support | |



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| <p>gained in the initial piloted installation of the ARGOS system, we recommend WFP ensure that:</p> <p>A suitable environment is available for all new implementations; and</p> <p>Country offices determine the most appropriate and effective use of the monitoring system, to confirm the results of cooperating partner reports; to act as an auxiliary monitoring control in addition to monitoring visits; or as the main monitoring mechanism on which loss reports will be prepared.</p> <p>For each of these alternatives, a robust confirmation of the predetermined advantages, cost savings and results expected from the installation should be made to support ongoing monitoring of the system's effectiveness.</p> | <p>And Programme Support Division (PDPF) is working to improve the quality of information collected, entered and analysed locally by schools, cooperating partners and country offices.</p> <p>The roll-out of the ARGOS system is expected to be completed by the end of 2006 (1,690 devices have been delivered to 15 countries¹ and 980 of them have been installed. There are 750 devices still to be installed. Three countries² remain to be trained).</p> <p>ARGOS is promoted as an auxiliary monitoring tool to complement and verify the data generated through other monitoring systems and contained in cooperating partners' reports. It is integrated as such into WFP's Common Monitoring and Evaluation Approach (CMEA).</p> | <p>improvement of the current ARGOS system by the end of 2006 and will neither purchase additional devices nor expand its use.</p> <p>PDPF will also:</p> <ul style="list-style-type: none"> ➤ ensure that the system is properly installed and used; ➤ ensure that school staff, counterpart staff and country office staff are properly trained and familiar with the use of the system; and ➤ review the current use of the data collected, including the data analysis methodology, to evaluate the current stage of implementation. <p>PDPF is completing roll-out and consolidation/improvement of the current ARGOS system. It has also enhanced its support system to address issues more effectively and to support country offices using ARGOS. For intra-regional support, PDPF has grouped country offices regionally to take advantage of staff experience and knowledge about ARGOS.</p> <p>As at August 2006, 1,690 devices had been delivered to 15 countries. Two countries remain to be trained.</p> | <p>system set up in mid-2006 to enable closer contacts with the 15 country offices. This has allowed PDPF to provide prompt technical support and guidance.</p> <p>Good progress was made in 2006 in the roll-out of ARGOS: 14 out of 15 countries have had the device installed to transmit data collected in the field; 1,158 of the 1,690 devices delivered are operational.</p> <p>Most of the devices to be installed are in countries such as the Sudan, where difficult security and emergency situations impede installation in the field. WFP will complete roll-out by the end of 2007.</p> <p>With the exception of Mauritania, all countries identified have received the devices; training of trainers (TOT) for WFP staff, government staff and teachers has been undertaken.</p> | |
| Promoting Cost Recovery | | | | |
| <p>Recommendation 9. To assist the full reporting of commodity transportation losses to the Executive Board, we recommend that WFP maintains its efforts</p> | <p>Agree. This depends on the strict application of the invoice processing module in COMPAS.</p> | <p>The Transport and Procurement Division (ODT) encourages country offices through circulars and regional logistics meetings to use the COMPAS invoicing module.</p> <p>ODT continues to encourage country</p> | <p>Completed.</p> | <p>Although the recommendation has been addressed, we will continue to review country office reporting and</p> |

¹ Afghanistan, Cape Verde, Chad, the Congo, Djibouti, El Salvador, Guinea-Bissau, Lesotho, Malawi, Mozambique, Pakistan, São Tomé and Príncipe.

² Guinea, Mauritania, Sudan.



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| to record and report all post-delivery food loss in cases where the transportation company suffers the financial loss | | offices to use the COMPAS invoicing module. More country offices are now familiar with the module, which enables them to detect and recover losses. Completed. | | adherence to the invoice processing module in COMPAS in our future field visits. |
| Recommendation 10. To assist appraisal of the recovery of the cost of food losses, we recommend that the Secretariat consider the merits of developing performance indicators for expected recoveries by region. | Given the different types of programme in each region and the large tonnages distributed through our emergency operations it is difficult to determine the overall benefit of performance indicator by region. Where reimbursements have been negotiated between CO and government partners, the specifics of the agreement should be included in the work plan for the country office. | Effective 2007, country office work plans will include recoveries of post-delivery losses in accordance with the negotiations between the country office and government partners concerned. Post-delivery loss recovery will be included in country office workplans from January 2007. | Post-delivery loss recovery will be included in country office workplans, starting in 2007. This recommendation is deemed complete. | The inclusion of post-delivery losses in country office work plans has addressed the recommendation. We will review the work plans in our future field visits. |
| The 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 | | | | |
| 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. The issue is for consideration by the Board. | The issue is for consideration by the Board. | |
| Recommendation 2. I recommend that OSDA finalise an implementation plan for the IIA recommendations, setting out priorities and time-lines against which progress can be monitored. | Agree. | Internal audit (OSDA) will include the recommendations of the Institute of Internal Auditors (IIA) in its implementation plan on recommendations from both external and internal quality assessment work. OSDA has identified nine internal projects to implement the IIA recommendations, | The five remaining internal projects that OSDA is undertaking are expected to be complete by mid-2007. | |



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| | | and these are formally established in OSDA's project-tracking system. Timeframes are established for each: four are complete; and others are ongoing. | | |
| Emergency operations - Tsunami | | | | |
| Recommendation 3. I recommend that the Secretariat take forward its plans for the establishment of a flexible administrative workforce for emergency-operations, which could ensure the establishment of adequate financial controls in a timely fashion for future emergency situations. | Agree. | The Administration Department has set up a rapid administrative response group. One of the tasks of this group is to ensure the implementation of financial controls that will be applied in each emergency and that these controls are adhered to globally. This service will be run out of Dubai based on the FITTEST model. Completed. | Completed. | The establishment of a rapid administrative response group addresses the recommendation. We will consider the effectiveness of the group's response to emergencies in future audit work. |
| Preparation of financial statements | | | | |
| Recommendation 4. As part of the accounts preparation planning, I recommend that the Secretariat establish improved and timely procedures to allow for review and reduction of any unexplained adjusting items in the figures reported in the financial statements, and to facilitate an effective quality review by management of the financial statements prior to submission for audit. | Agree. The Guide to the 2004–2005 Closure Process and Preparation of Financial Statements contained a timetable designed to allow sufficient time for review by management. The strategy (which worked well in the 2002–2003 closure) was to prepare a complete set of interim financial statements by 30 September 2005 and to have them audited by Internal Audit in order to resolve financial or accounting issues at an early stage. Delays in the schedule compressed the time available for review by management. | The Secretariat will ensure that in the future closure timetables, with effect from 2006, are strictly followed and that the process includes quality review throughout. Consolidated closure guidelines will be issued for the 31 December 2006 annual financial statements. The closure activities and the corresponding dates for completion of each task will be strictly observed. Each component of the financial statements will be reviewed and all analyses to support the financial statements will be fully documented. | <i>Consolidated Closure Guidelines</i> was issued in September 2006; it contains procedures and timetables for each task. This recommendation is deemed complete. | The Secretariat has prepared the closure timetable for 2006. We will consider management adherence to the timetable as part of our review of the preparation of the 2006 financial statements on which we plan to report to the June 2007 Executive Board. |





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| Accounting and disclosure of project expenditure – commodity loans | | | | |
| <p>Recommendation 5. I recommend that the Secretariat ensure that any commodity loans between programme categories for operational reasons should be made subject to:</p> <ul style="list-style-type: none"> ➤ Realistic risk assessment of the likelihood of recovery; ➤ Confirmation on a case-by-case basis that the loans do not conflict with any original donor restrictions on their use; and ➤ Disclosure of the balance of such loans in the financial statements, so long as this information can be obtained cost-effectively. | <p>Guidance for Commodity Loans is to be reviewed and enhanced to facilitate regional bureau and country office assessment of recovery to support their operational decision-making.</p> <p>This information will be made available through the Programme Guidance Manual, which will also highlight the need to comply with donor restrictions.</p> <p>Agree.</p> | <p>The improved <i>Guidance for Commodity Loans</i> will be completed by December 2006. This will address the first two bullet points.</p> <p>As part of the guidelines for the closure of the 2006 accounts, the Secretariat will request information concerning commodity loans from country offices.</p> <p>Completion of <i>Guidance for Commodity Loans</i> is targeted for December 2006.</p> <p>The instructions for the 2006 annual closure of financial accounts will include a statement requiring country offices to submit information on commodity loans and borrowings.</p> | <p><i>Guidance for Commodity Loans</i>, which will address the first two recommendations, was updated in December 2006; it outlines the conditions and procedures when borrowing commodities at the country level.</p> <p>The consolidated closure guidelines for the 2006 annual closure of accounts include a statement requiring country offices to submit information on commodity loans and borrowings, which will serve as basis of disclosure in the financial statements.</p> <p>Completed.</p> | <p>We will review the disclosure of outstanding balances on loans as part of our examination of the 2006 financial statements.</p> |
| Indirect support costs | | | | |
| <p>Recommendation 6. In the interests of transparency and completeness of financial reporting, I recommend for the future that the Secretariat consider estimating and disclosing the extent of waiver of indirect support costs in the Notes to the financial statements.</p> | <p>Agree.</p> | <p>Starting with the 2006 Financial Statements, the Secretariat will disclose waivers of indirect support costs in the Notes to the financial statements.</p> <p>As indicated in the March 2006 update, the Secretariat will disclose ISC waivers starting with the 2006 financial statements.</p> | <p>ISC waivers will be disclosed in the financial statements, starting in 2006. A disclosure was made in the interim financial statements in September 2006; a similar disclosure will be made for the year-end financial statements.</p> <p>This recommendation is deemed complete.</p> | <p>Improved disclosure of the extent of the waiver of indirect support costs is planned for the 2006 financial statements.</p> |

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| Financial management control | | | | |
| <p>Recommendation 7.1 recommend that the Secretariat consider improving financial monitoring and control to:</p> <ul style="list-style-type: none"> ➤ Complete the clearance of longstanding bank reconciliation items and ensure prompt clearance in future; ➤ Ensure an adequate audit trail for cash and short term investments from the general ledger to the analysis by fund category at Statement II; ➤ Review receivables and payables to write off uncollectible amounts and delete invalid liabilities in a timely fashion; | <p>Agree. The bank reconciliation review is an ongoing activity closely monitored by the regional bureaux and Headquarters through the monthly reporting package from field offices.</p> <p>Agree.</p> <p>The Secretariat agrees that regular reviews of receivable balances should be undertaken in Headquarters and field offices and that obligations should be deleted when they prove to be invalid and no further obligation exists.</p> | <p>The Secretariat will address the recommendations in the following manner:</p> <p>Bank reconciliation: The Secretariat will develop an improved monitoring system to identify uncleared items with a view to significantly reducing outstanding items by end 2006.</p> <p>The Secretariat has achieved significant progress addressing the audit recommendations as indicated in the last progress report. Outstanding bank reconciling items have reduced considerably during the last six months.</p> <p>Audit trail for cash and short-term investments: The balance sheet readjustment process in WINGS will be mainstreamed in the closure process for 2006; the cash balance per programme category will be supported by a WINGS process that allocates all transactions to fund categories.</p> <p>The mainstreaming of the balance sheet readjustment process will take effect in 2006. In addition, finance officers are constantly reminded to use the correct business area when recording transactions in WINGS.</p> <p>Receivables and payables: The Secretariat will enhance the monitoring procedures to ensure regular review of the receivables and payables, with adjustments made in a timely manner.</p> <p>Submission of the monthly financial reporting package by country offices and regional bureau provides a basic tool in ensuring that review of receivables and</p> | <p>Monitoring and clearing of outstanding bank reconciling items improved considerably during 2006. The remaining uncleared items are being analysed; some will be recommended for write-off; items outstanding as a result of errors in recording will be adjusted as part of the closure of the financial accounts.</p> <p>This recommendation is deemed complete.</p> <p>New controls are now in place in WINGS that block the use of wrong account combinations when posting transactions in the system. This will improve the quality of the accounting data in WINGS.</p> <p>The distribution of cash balances by business area reported at 31 December 2006 will be supported by an audit trail that is available for verification.</p> <p>This recommendation is deemed complete.</p> <p>Review of receivables and payables is undertaken monthly by Headquarters in coordination with RFOs to ensure that accounts are accurate and up-to-date.</p> <p>In addition to accounts already cleared by finance officers, accounts that are deemed irrecoverable will be recommended for write-off; payables identified as no longer valid have been adjusted accordingly.</p> | <p>We will review the response to those recommendations deemed completed as part of our examination of the 2006 financial statements.</p> |





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| | | <p>payables are undertaken on a regular basis for the purpose of ensuring that accounts are kept accurate and up to date. HQ is closely monitoring the status of these accounts in coordination with the RFOs.</p> | <p>This recommendation is deemed complete.</p> | |
| <ul style="list-style-type: none"> ➤ Grant new advances only when earlier advances are fully liquidated; ➤ Ensure complete and up-to-date recording of inventory in the central database; ➤ Consider the benefits of accounting system changes to eliminate errors which require inefficient manual review and correction; and | <p>Regarding staff advances for such categories as education grant and salary advance, the existing policy requires liquidation of previous advances before new ones are granted. For travel advances, the policy is for the staff to settle the advance within 60 days upon completion of the trip. Vendor advances are granted based on purchase orders and are offset against the settlement of invoices.</p> <p>Agree.</p> <p>Agree.</p> | <p>New advances: The policies on staff and travel advances will be strictly enforced effective immediately. A review of vendor advances will be made and existing procedures will be enhanced and enforced as required.</p> <p>Advances granted to staff are regularly monitored and recovered on time. Effective in 2006, special clearing process for staff advances is effected to ensure that recoveries made are applied against the advances granted. Vendor accounts were also reviewed and significant amount of transactions were cleared during the last six months. A list of long-outstanding advances has been prepared and is considered for write off.</p> <p>Recording of inventory: The inventory of WFP's heavy equipment fleet will be included in the Asset Management Database by the second half of 2006.</p> <p>Inventory of heavy equipment will be included in the AMD starting December 2006.</p> <p>Accounting system changes: Certain quick fixes such as increasing the number of automatic bank uploads will be implemented immediately. Other system changes identified in the analysis of improvements required will be implemented in conjunction with the WINGS II project.</p> | <p>New advances are granted only when previous advances have been settled in full. A review of long-outstanding advances has been undertaken: those determined to be irrecoverable will be written off as part of the 2006 accounts closure.</p> <p>This recommendation is deemed complete.</p> <p>Heavy equipment fleet will be included in the 2007 physical count and asset-management database (AMD).</p> <p>Automatic bank uploads for ten ZBAs will be implemented in early 2007; some system changes will be implemented in early 2008 as part of WINGS II.</p> | |

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| | | Automatic bank uploads are now being undertaken for zero balance accounts (ZBAs) in 38 countries and additional 10 ZBAs' automatic bank uploads are being discussed between CFO and ICT with implementation date of early 2007. | | |
| <p>➤ Review the underlying reasons for write downs and ensure the prompt redirection of unspent cash balances of financially closed projects with the appropriate donor approval.</p> | <p>Because write-downs reflect unutilized confirmed contributions (not yet received in cash), a review of WFP's implementation of project budgets needs to be undertaken to identify the underlying reasons for write-downs as well as for unspent cash balances. Procedures have been developed that improve the process of project closure and reprogramming or refund of unspent cash balances.</p> | | <p>The review concluded that the underlying reasons for the write-down of contributions were related to contribution estimates and payment procedures of two major donors and to actual expenditures being below estimates, particularly for external transport. New procedures were introduced in 2006 that will reduce the level of write-downs.</p> <p>Completed.</p> | |
| <p>Recommendation 8.1 recommend that the Secretariat takes steps to establish improved arrangements for the effective quality review of the financial statements for the consistent disclosure and fair WFP valuation of services-in-kind contributions in compliance with the appropriate accounting standards.</p> | <p>Agree. This recommendation is timely in that WFP has received increasing levels of services-in-kind contributions in recent years. The valuation of services-in-kind contributions is a complex process that requires clear policies and procedures to arrive at a fair valuation of the contribution.</p> | <p>The Secretariat will enhance the <i>Private Donor Guidelines</i>, particularly on the acceptance of services-in-kind contributions, to include detailed policies and procedures on the valuation of such contributions by the end of the third quarter 2006.</p> <p>CFO and FD will discuss the most appropriate way of valuing services in kind. A draft guideline is expected to be issued during the first quarter of 2007.</p> | <p>The guidelines on the valuation of services in kind is being finalized for will be issued in early 2007.</p> | |
| <p>Transactions with the United Nations Development Programme</p> | | | | |
| <p>Recommendation 9.1 recommend that the Secretariat maintains its efforts to clear outstanding items from the UNDP</p> | <p>Reconciliation of the UNDP account is an ongoing activity that was impacted by problems with the monthly statements of account from</p> | <p>The Secretariat is taking the following steps to ensure correctness of expenditures incurred and paid through UNDP:</p> | <p>Global reconciliation of transactions between UNDP and WFP for the 2000–2005 biennium is complete; reconciling items have been identified. The Secretariat is focusing on reconciliation and clearance</p> | |





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| <p>account 60015 to provide assurance that records of expenditure are complete and payments valid.</p> | <p>UNDP following the implementation of their Atlas system in 2004.</p> | <ul style="list-style-type: none"> ➤ reconciliation of the account on a global basis, to be done at least annually; ➤ reconciliation of detailed transactions per country office: both UNDP and WFP are making efforts to resolve the reporting problems so that transactions in the UNDP statement can be cleared against the related transactions in the WFP books; ➤ creation of subsidiary ledger accounts in WINGS for each country office to facilitate reconciliation (to be completed by the third quarter of 2006); ➤ improvement of contractual arrangements with UNDP through development of service level agreements for each type of service in order to define expectations and accountabilities. <p>As part of the reconciliation exercise, all transactions that were reported by UNDP in 2004 and 2005 are being reviewed to identify the causes of differences between WFP and UNDP records. Country office transactions were identified to assist country offices easily to identify and clear transactions pertaining to them. A more timely upload and reporting of UNDP transactions will be undertaken from 2007. The performance of each country office in recording, clearing and reconciling UNDP transactions will be closely monitored by Headquarters.</p> <p>A service-level agreement with UNDP on payroll services for national staff is under discussion with UNDP and is expected to be finalized in early 2007.</p> <p>The creation of subsidiary ledger accounts in WINGS for each country office to record UNDP transactions and facilitate reconciliation is deferred until implementation of WINGS II.</p> | <p>of individual transactions by country offices. Reconciliation and clearance of long-outstanding items will be completed during the first quarter of 2007.</p> <p>Subsidiary ledger accounts are being created for each country office to record UNDP transactions, with implementation expected in early 2007. This is intended to enable country offices to manage their own transactions and to facilitate reconciliation and clearing of UNDP transactions.</p> | |



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| <i>Fraud, ex-gratia payments, amounts written off and contingent liabilities</i> | | | | |
| <p>Recommendation 10. I recommend that the Secretariat:</p> <ul style="list-style-type: none"> ➤ Confirm the adequacy of internal controls at regional level; ➤ Consider the need to improve the extent and quality of management oversight by Headquarters to ensure that controls are applied in practice; ➤ Consider whether there is a need to respond more effectively to audit findings and recommendations. | <ul style="list-style-type: none"> ➤ The Secretariat recognises that sound internal control processes are required in all WFP Offices. In addition to the systems controls introduced in 2005 as noted by the External Auditor the Secretariat also strengthened controls through the recruitment of additional finance staff, training of Country Directors in financial management and through the introduction of a monthly reporting package designed to strengthen controls at Regional and Country Office levels. ➤ The improvement of controls including management oversight by Headquarters of the adherence by managers to financial rules, directives and financial management procedures is an ongoing priority. ➤ Action plans on the implementation of External Audit recommendations are drawn up by the Managers of the offices receiving such recommendations. All managers are expected to act on the recommendations and to implement them without delay. | <ul style="list-style-type: none"> ➤ The monthly reporting package from country offices and regional bureau will be enhanced to provide an early warning (dashboard) to management of potential control weaknesses. The Secretariat expects to have these management reports operational by September 2006. Action has also been taken to introduce strengthened procedures for the WINGS Vendor Master record by centralizing the finance related information thereby avoiding the possibility of error or fraud through weak controls. Electronic payment processes will also be strengthened by introducing a system of pre-approved suppliers and matching these with WINGS Vendor Master Files. Directives on these two control improvements will be effective by the end of June 2006. ➤ A more rigorous process of monitoring of external audit recommendations will be introduced in regional bureaus and country offices with progress reports being reviewed by Headquarters. <p>A concept paper on the "dashboard" has been presented to CFO management for consideration. Pending adoption of the dashboard, information included in the monthly reporting package is being used by management to identify potential control weaknesses in country offices or regional bureaus. The monthly report to management focuses on the accounts with the age or how current and up-to-date the account is as one of the performance indicators. The directives on electronic payment processes and the WINGS Vendor Master record have been issued in May and July 2006; with the issuance of</p> | <p>The "dashboard" has been delayed by resource constraints in CFO. In the meantime, the monthly financial reporting package from country offices will be streamlined to enhance its efficiency as a control tool. The first version of the consolidated performance report will be available from the first quarter of 2007, providing early warning to managers regarding financial risks in field offices.</p> <p>Training workshops on financial management were held for country directors in all regional bureaux during the last quarter of 2006 with a view to enhancing their skills and increasing awareness of financial controls.</p> <p>The Secretariat recognizes that internal controls and management oversight will remain high priorities, but the actions taken in 2006 are considered to have completed implementation of the recommendation.</p> | <p>Pending the availability of the consolidated performance report we consider this recommendation ongoing.</p> |

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| | | <p>these directives, appropriate controls have been established and observed with respect to vendors being created in EPS and WINGS, ensuring that vendor data in both systems are accurate and reconciled.</p> <p>With effect in 2006, implementation of audit recommendations will be closely coordinated with regional bureaux and country offices to ensure that action plans to implement the audit recommendations are carried out.</p> | | |
| Review of the results-based management framework for monitoring and reporting results (WFP/EB.2006/A/6-D/1) | | | | |
| Focus on WFP's aims and objectives | | | | |
| <p>Recommendation 1. We encourage WFP wherever possible to incorporate joint outcomes with implementing partners into the RBM framework, for example through integration of development projects into national poverty reduction strategies and encouragement of joint United Nations' strategies to accomplish the Millennium Goals.</p> | <p>Agree. Development projects and country programmes are usually jointly designed with national authorities and sometimes national and international NGOs. To the extent the projects and programmes are conceived and implemented within the Poverty Reduction Strategy Papers, appropriate indicators are identified to measure the intended outcomes. WFP's own Strategic Objective Indicators are then 'additional' (but obligatory) and dependent on the activities chosen to support the programmes.</p> | <p>WFP is fully engaged in the undg working group on programming policy; the <i>Programme Guidance Manual</i> now includes the latest guidance on joint programming. Since joint programming was introduced, all CPs presented to the Executive Board contain objectives and indicators that relate to the UNDAF framework. Results and resources matrices, which are integral to every CP, have WFP activities and indicators with the UNDAF outcomes. WFP programming cycles are now harmonized with the UNDAF cycle.</p> <p>A policy document "Engagement in Poverty-Reduction Strategies", submitted to the 2006 Annual Session of the Board, lays the groundwork for further enhancement of WFP's contributions to the PRSP processes.</p> <p>Completed.</p> | <p>Completed.</p> | <p>We plan to review performance indicators in our second report on results based management. We will also consider the effectiveness of joint United Nations outcomes.</p> |
| Appropriateness for management and operational requirements | | | | |
| <p>Recommendation 2. We encourage the Secretariat to put in place structured procedures to obtain</p> | <p>Agree. Systematic feedback and performance reviews are part of the RBM framework. Donor countries receive</p> | <p>'Structured procedures to obtain systematic feedback' has been identified as an 'activity to be started'. This is in accordance with Critical Success Factor</p> | <p>Completed.</p> | <p>Where donors provide effective feedback on standard performance reports,</p> |



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| systematic feedback from recipient and donor countries on their level of satisfaction with the way WFP is reporting on its results. | standard project reports (SPRs) on an annual basis and are invited to provide feedback. Some COs also disseminate and review the SPRs with their local donor representatives and host governments. The Annual Performance Report invites Board members to provide feedback on corporate performance. | <p>Number Two laid out by the United Nations Joint Inspection Unit in 2004. Implementation depends on the scope and contractual framework by which such feedback could be 'systematic' for host governments (as part of formal project agreements).</p> <p>The SPRs that are submitted to donors provide an effective means of obtaining feedback. This is supplemented by ad hoc informal consultations on SPRs held at the request of donors, the last of which was in June 2006.</p> <p>Completed.</p> | | <p>the recommendation will have been addressed.</p> <p>We will consider the feedback in our subsequent review of results based management.</p> |
| Balance and comprehensiveness of the system | | | | |
| Recommendation 3. We recommend that the Secretariat maintains its efforts to develop a suitable resource monitoring methodology to allow effective reporting of expenditure against objectives throughout the Programme. | Agree. An opportunity to implement an allocation and attribution methodology exists within the WINGS II design. | <p>A high-level executive decision on the issue is being pursued.</p> <p>The Secretariat is considering the possibility of implementing methods for allocation and attribution in the context of WINGS II.</p> | <p>The Wings II team and senior management have accepted the Single Integrated Logic Model and the Cost Allocation Model proposed by the Manage Strategy Process Team for inclusion in Release 1 of Wings II. These models will provide the ability to report expenditures against WFP objectives.</p> <p>This recommendation is deemed complete.</p> | We will review the effectiveness of the reporting of expenditure by the Single Integrated Logic Model as part of future audit work on WINGS II. |
| Robustness | | | | |
| Recommendation 4. As part of the continuing development of an integrated financial and budgetary management accounting system, we encourage the Secretariat to consider the prioritization necessary for reporting under results based management in the ongoing development of WINGS and COMPAS. | Agree. The development of the various WINGS II processes is a good opportunity to redesign financial and budgetary systems to integrate results-based reporting as elements for management decisions. | <p>The Results-Based Management Division (OEDR) is pursuing the recommendation as the process owner of the 'Strategic Management Process' of the WINGS II project, and has seconded staff resources to the WINGS II Team.</p> <p>A decision by the Executive Group is expected during the fourth quarter of 2006 to determine the extent to which work planning, budgeting and performance reporting can be implemented in WINGS II.</p> | <p>The Cost Allocation Model, which will provide managerial information on costs linked to results, is now part of Release 1 of Wings II.</p> <p>This recommendation is deemed complete.</p> | We will review the appropriateness of the Cost Allocation Model reporting of expenditure as part of our future audit work on WINGS II. |





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| Integration with business and management processes | | | | |
| <p>Recommendation 5. We recommend that, as part of improving performance monitoring generally, the Secretariat maintains efforts to match the results of performance assessment to the timeframe of projects or programmes on which reporting is based.</p> | <p>Agree. The timing of projects is determined by actual needs and programme cycles. For all projects, standard project reports (SPRs) report on performance indicators pertaining to the project. In practice most projects report on outcome and output indicators at least once during the calendar year.</p> | <p>Project closure procedures have been accelerated and timely performance reporting is therefore possible. The SPRs on closed projects are finalized and published on a quarterly basis.</p> <p>For the 2005 reporting exercise, 95 percent of the projects were operationally closed within three months of the last distribution date, a significant improvement over previous years. All projects that were delayed in financial closures were closed in 2005. Starting in 2006, all project financial closures will be done on time; only in exceptional cases will projects be closed after the mandated financial closure period.</p> <p>This recommendation is deemed complete.</p> | <p>Completed.</p> | <p>We will consider this further in our second report on results based management.</p> |
| <p>Recommendation 6. We recommend that the Secretariat ensures that the Internal Evaluation Committee improves the integration of assessment, programming and monitoring in order to strengthen the reliability of performance information.</p> | <p>Agree. In the course of its routine deliberations the Internal Evaluation Committee is pursuing the integration of assessments, programming and monitoring.</p> | <p>The Internal Evaluation Committee was formally established in early 2006 and had its first meeting in March 2006.</p> <p>The Internal Evaluation Committee will meet before the end of 2006 to decide on unresolved issues from the first meeting to ensure that assessments, programming and monitoring are fully integrated.</p> | <p>At its December meeting, the Internal Evaluation Committee discussed this recommendation and referred it to the Programme Quality Assurance (PQA) team for action. The PQA Team will report to the committee on ways to improve the integration of these activities.</p> | |
| Cost effectiveness | | | | |
| <p>Recommendation 7. We recommend that wherever possible the Secretariat should use performance indicators that are supportable by systems of data collection which already exist, or by data that can be cost effectively gathered.</p> | <p>Agree. Output and process indicators should be embedded and derived from corporate systems. The data thus generated should form the basis for performance analysis and management.</p> <p>Data for outcome-related information (as defined by WFP and required by the</p> | <p>The recommendation will be addressed as part of the strategic planning process and in Wings II, in consultation with relevant units.</p> | <p>A cost-effective approach to outcome measurement is being developed.</p> | |

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| | <p>Board) is not usually supported by systems and needs to be generated through surveys and/or research. In cases where national statistics are gathered comprehensively (rare in WFP operation areas), opportunities may exist to use and interpret existing data.</p> | | | |

