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Agenda item 6

For consideration



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FOLLOW-UP ON THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR



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NOTE TO THE EXECUTIVE BOARD

This document is submitted for consideration to the Executive Board.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Director, Finance Division (ADF): Mr S. Sharma tel.: 066513-2700

Chief, General Accounts Branch (ADFG): Mr A. Diaz tel.: 066513-2230

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS

1. The Executive Director is pleased to submit this third progress report on the status of implementation of the 2002–2003 External Audit recommendations as summarized below:

Audit Report	Total recommendations	Completed as at 31 March 2005	Completed as at 30 Nov 2004
Long-Form Report 2002–2003	8	8	4
Human Resources Strategy	5	3	1
Air Operations	9	7	5
Vulnerability Analysis and Mapping	7	4	3
Corporate Governance	4	4	3

2. Recommendations reported as completed are subject to review by the External Auditor during the course of the audit.
3. Seven of the 33 recommendations were pending as at 31 March 2005. Three will be completed by the end of the second quarter 2005, and the remainder by the end of the third quarter 2005.
4. The Secretariat is monitoring implementation of these recommendations and will submit a fourth progress report to the Board at its Second Regular Session in October 2005.



THIRD PROGRESS REPORT ON THE IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS ON 2002–2003 OPERATIONS

External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 November 2004	Actions taken to date or to be taken as at 31 March 2005
Long-Form Report of the External Auditor (WFP/EB.A/2004/6-B/1/3)			
Accounting and Disclosure of Project Expenditures			
<p>Recommendation 1. To ensure accuracy in the reporting of financial information, particularly in financial statements and donor reports, I recommend that senior management undertake regular reviews of the information recorded in WINGS to confirm that expenditure is correctly posted to the project to which it relates.</p>	<p>Accurate and timely recording of project expenditure is an important issue to be addressed through clear guidelines, training, reporting and accountability of managers.</p>	<p>The forthcoming WINGS upgrade will include as a requirement the ability to report financial information by country office to assist management in reviewing expenditures posted to projects.</p>	<p>With the following activities already in operation, this recommendation is deemed complete:</p> <ul style="list-style-type: none"> • training for Country Directors, senior managers and field finance staff designed to enhance financial competence and effectiveness; • development and provision of management reports; and • ensuring more timely input of financial information through development of new procedures and improvement of existing ones.
<p>Recommendation 2. I also recommend that management improve the internal processes for ensuring the prompt programming of funding to field offices in WINGS, to facilitate the accurate recording and reporting of project expenditure.</p>	<p>A business process review (BPR) was initiated in March 2003 to improve efficiency in WFP, including prompt programming of funds.</p> <p>The primary objective of BPR is to ensure maximum use of resources to meet the needs of the greatest number of beneficiaries. The new business process envisages issuing allotments on the basis of forecast contributions at the required time using advancing mechanisms, as appropriate. This will remove delays in implementation resulting from a timing mismatch between operational needs and confirmed contributions, and will ensure greater on-time availability of food aid.</p> <p>Consequently, the process of making funds immediately available through advance funding mechanisms will facilitate the recording of expenditures to the appropriate project. Cross-charging of expenditures will</p>	<p>Training in programming funds has been conducted for all country offices with pilot projects. These country offices can now do their own programming for directed multilateral funds of the pilot projects.</p> <p>A single-pot approach for LTSH, ODOC and DSC has also been adopted for the pilot projects. The objectives are to ensure availability of funds for any of the three cost groups and to reduce unspent balances at project closure.</p>	<p>As decided by the Board in February 2005, prompt programming of funding to field offices has been changed through a working-capital facility in conjunction with the single-pot approach. A structure is now being put in place to implement this approach, initially in 12 major projects. Progress reports will continue to be submitted to the Board on lessons learned and on the stages of implementation.</p> <p>This recommendation is deemed complete.</p>



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	<p>no longer be an issue, because there will be no need to charge the expenditures of projects awaiting confirmed contributions against other projects that have funds.</p> <p>The actual programming of related funds after directed contributions have been confirmed will be decentralized to country offices so that the country directors have direct management of their funds, thus eliminating an unnecessary layer in the business process.</p>		
<p>Recommendation 3. Once operations are complete, I recommend that projects should be closed promptly in financial terms; and that any remaining balances identified should only be redeployed on receipt of further instructions from the donor on their use and application.</p>	<p>A joint directive from the Operations Department and the Administration Department was issued on 31 October 2003 to provide guidelines to project managers on closing projects on a timely basis after projects cease to be operational. The directive defines the procedures for operational and financial closures, pre-closure and post-closure requirements, and resource transfers.</p> <p>Under the directive, all directed multilateral resource transfers from one project to another are subject to donor approval. The directive provides for resource transfers that may be processed within four weeks of operational closure and those that may be processed within three months of financial closure.</p>	<p>Action on this recommendation is deemed complete.</p>	<p>Complete.</p>
Disclosure of Support Costs			
<p>Recommendation 4. I recommend that management more clearly define Programme Support and Administration (PSA) and direct support costs (DSC) in terms of the type of expenditure each category is to cover, to ensure that administrative and support costs which cannot be directly attributable to a programme category or activity are consistently recorded as Programme Support and Administration in the financial systems.</p>	<p>WFP's financial policy framework defines PSA and DSC in terms of their relationship to a project rather than in terms of expenditure type.</p> <p>PSA costs are fixed for a biennium based on the PSA budget as approved in the Management Plan. In country offices, these costs provide a standard structure meant to cover the basic costs. DSC costs are support costs that are deemed to be incremental to this standard structure.</p>	<p>PSA and DSC will be more specifically defined in the Management Plan for 2006–2007.</p>	<p>PSA and DSC are two distinct funding sources, which at times are utilized to cover similar costs items within a country office. PSA should be considered as a funding source designed to cover country offices' core/fixed minimum costs – where DSC cover the variable costs directly linked to levels of operation.</p> <p>The PSA for a country office covers the funding of a Country Director, who acts as the representative of WFP in the country of question. The level of PSA in</p>



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			<p>a country office may cover a minimum of national staffing as well as minimum non-staff costs that cannot be directly attributed to operations. The minimum cost can also support a minimum of operations in which case that is attributed to projects as DSC.</p> <p>The DSC is directly linked with operational activities which by nature have variable costs according to the operational needs and the level of resources raised from the donor community to address these needs.</p> <p>With the above definitions, which will be included in the Management Plan for 2006–2007, this recommendation is deemed complete.</p>
WINGS Reporting Functions			
<p>Recommendation 5. WINGS is to be subject to a forthcoming upgrade and I recommend that WFP consider reconfiguring the system, to enable it to provide expenditure reports by field office and business unit; and to be capable of tracking individual donations from income through to expenditure.</p>	<p>The Secretariat recognizes the current limitations of WINGS in this respect and will address this issue in the forthcoming upgrade. In the meantime, the system can be used to generate project-based reports.</p>	<p>As mentioned above, a requirement for the upgrade will be the ability to report financial information by country office.</p>	<p>A workplan, an organizational structure in which an SAP expert has been appointed as the project manager, and the required logistics support for the WINGS upgrade project are now in place. This recommendation is therefore deemed complete.</p>
Financial Oversight and Guidance			
<p>Recommendation 6. I recommend that the management update the Country Office Accounting Guide as a matter of priority to provide a comprehensive manual to field offices which reflects the changes to the finance system introduced since 1999; and consider the issue of French and Spanish language versions of the Guide where appropriate. This recommendation was also made by my predecessors.</p>	<p>The Secretariat agrees with this recommendation and has initiated this process.</p>	<p>The draft <i>Consolidated Finance Manual</i> was published in WFPGo on a test basis during November 2004. Comments are being sought from all users; the final version will be released in January 2005.</p> <p>Action on this recommendation is deemed complete.</p>	<p>Complete. The <i>Consolidated Finance Manual</i> was issued in January 2005 through the WFPGo.</p>





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<p>Recommendation 7. I recommend that the regional bureaux should have a clear responsibility to oversee and monitor the financial performance of the country and project offices in their region, to be in a position to ensure the integrity of the Programme's systems for budgetary and financial control.</p>	<p>The role of the regional bureau finance officer evolved in response to WFP's decentralization initiatives. This allowed the unique needs of each regional office to be addressed, but certain aspects of the role were initially unclear.</p> <p>This role was reviewed at a recent workshop of senior finance staff from Headquarters and regional bureaux where it was concluded that the oversight and monitoring of country offices should be included in the regional finance function.</p>	<p>The role of the regional bureau finance officer has been redefined to address the bureau oversight and monitoring function. During November 2004, finance workshops were held in the six regional bureaux for all country office finance officers, in which "minimum monthly closure tasks" were presented, outlining the monthly reporting requirements for all field offices. The finance officers will prepare these reporting packages for review and approval by country or regional directors. The packages will provide country office financial information for regional finance officers to enable them to carry out their roles.</p> <p>The regional bureau finance analyst function has been established to assist regional and country office managers in reviewing WINGS financial information, including analyses of contribution forecasts, pipeline breaks, income vs budget and budget vs expenditures.</p> <p>With these structures in place, action on this recommendation is deemed complete.</p>	<p>Complete.</p>
<p>Recommendation 8. I recommend that WFP provide refresher training on WINGS for field staff, to ensure the full and proper use of the system's functionality and adequate levels of internal control.</p>	<p>WINGS refresher training has been developed to address this issue.</p>	<p>In November 2004, WINGS training courses were held in two other regional bureaux covering 25 country offices.</p> <p>WINGS issues were discussed and addressed at the finance workshops held in the six regional bureaux during November. During the first half of 2005, WINGS training courses will be conducted for the remaining three regional bureaux. As reference materials for all field staff, the <i>WINGS Training Manual</i> has been updated and is available in WFPGo.</p> <p>With the above structure in place, this recommendation is deemed complete.</p>	<p>Complete.</p>

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Review of WFP's Human Resources Strategy (WFP/EB.3/2003/5-B/1)			
Current arrangements for accounting and needs assessment of staffing requirements			
<p>Recommendation 1. I recommend that WFP consider the merits of identifying and disclosing staff costs on a comprehensive and systematic basis; and review whether current and future informational needs are being fully met by WINGS as presently configured.</p>	<p>WFP recognizes the need for managers to have access to staff costs in a comprehensive and systematic manner.</p> <p>The current configuration of WINGS does allow staff costs to be collated and reviewed; for national and local staff, however, it is only the cost that is recorded. The current configuration does not permit for details on numbers/grades, etc. of national and local field-based staff.</p>	<p>The HR functionality in WINGS – payment in multiple currencies, career development and other information needs – will be considered as part of the WINGS upgrade project.</p>	<p>Implementation will be through the WINGS upgrade project, in which a feasibility study to propose best solutions to current and future functionalities, including reporting information needs, is currently being conducted.</p> <p>Given that the WINGS upgrade project is now in operation, this recommendation is deemed complete.</p>
Competency development and career management			
<p>Recommendation 2. I recommend that the Human Resources Division analyse the impact of the competency based system on the grade profile of WFP; and as a matter of sound financial management practice, carry out an assessment of the financial consequences of the new arrangements and other aspects of the new HR strategy.</p>	<p>The competency profile was developed using the current generic job profiles, which are based on the International Civil Service Commission (ICSC) classification standards. This is not expected to cause any differences in position grading.</p>	<p>A preliminary review of the generic job profiles and competencies will be carried out in mid-2005.</p>	<p>The terms of reference for the review of generic job profiles and competencies have been completed; work will commence in September 2005.</p>
<p>Recommendation 3. I recommend that the Human Resources Division review the role and additional responsibilities of the Staffing Coordinators, to ensure that they have the capacity to be fully effective in supporting a strategic approach to resource management in addition to the management of individual staff members and their operational responsibilities.</p>	<p>The staffing coordinators have various levels of responsibilities based on the numbers of staff in their area. For example, the programme staffing coordinator with 400 staff is full-time, but the HR staffing coordinator, who oversees about 40 staff, devotes only a small percentage of his/her time to this.</p>	<p>Further action will be taken at the end of 2005.</p>	<p>A plan to review the roles of the staffing coordinators will be drafted by mid-2005.</p> <p>A focal point for classification issues has been identified to centralize all issues concerning job levels and staffing structures. The underlying principles of the generic job profiles are still assessed as valid for formal review when the classification team is in place in the autumn of 2005.</p>



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Use of WINGS in recruitment			
<p>Recommendation 4. Appropriate use of WINGS can offer considerable benefits to the effectiveness and efficiency with which the Programme's Human Resource Strategy and resource management arrangements can be implemented. I recommend that WFP give appropriate management emphasis to the review of technical needs for new electronic tools, so that future requirements can be integrated with wider system development in a cost effective way.</p>	<p>Consideration is being given to introduce the WINGS career development module in the next SAP upgrade. In the meantime, the WINGS system has been interfaced with Staffnet, a web-based system which captures the skills and experience of staff members and external candidates through their online CVs. The interface ensures that contractual data in WINGS is reflected in the staff profile.</p>	<p>As mentioned above, the HR functionality in WINGS for information needs will be considered as part of the WINGS upgrade project.</p>	<p>Implementation will be through the WINGS upgrade project. This recommendation is also deemed complete.</p>
Performance management			
<p>Recommendation 5. The consistency and objectivity of the assessment process is important to aid WFP in its long-term goal of achieving excellence amongst its staff and I therefore recommend that WFP consider the desirability of further steps to ensure consistency of appraisals across the organisation in any future arrangements.</p>	<p>The Performance and Competency Enhancement (PACE) programme is being introduced across WFP; training will be completed by 31 August 2004. The PACE programme introduces competence profiles that will allow baseline criteria to be used by staff members and their supervisors when talking about performance. Support training and materials will be available to all staff through intranet and training courses.</p> <p>The application of the form is through a Lotus Notes database that will allow HR to analyse in a timely manner the consistency of ratings and other information necessary to assist management and WFP to plan and be more consistent in performance management.</p>	<p>All staff have been trained in PACE; the first cycle of the performance-management system will be completed by 31 January 2005; a compliance memo will be issued before the end of the year. Other tools to assist staff members in completing PACE are being finalized.</p> <p>With the implementation of PACE, action on this recommendation is deemed complete.</p>	<p>Complete.</p>
Review of WFP's Air Operations (WFP/EB.A/2004/INF/8-A)			
Financial management of air operations			
<p>Recommendation 1. I recommend that WFP improve the budgetary control of air operations generally, to ensure the adequacy and availability of funding for individual operations; and to ensure the accuracy and reliability of financial information to support effective budget management, through an appropriate standardized form of financial recording for all air operations.</p>	<p>Budget control is being addressed through the management procedures for the Aviation Special Account (ASA). Aviation-related funds that are currently outside the financial purview of the WINGS are being absorbed into ASA to streamline the accounting and fund management process. A one-month advance and one-month deposit based on monthly contracted flying hours are also being instituted to prevent WFP from running into debt with operators as a result of</p>	<p>A draft of the joint FS and OTP directive was circulated in November 2004 for comments. The final version is expected to be issued by the end of 2004.</p>	<p>The comments received from country offices identified a need to resolve issues on recognizing miscellaneous income for special operation (SO) projects. The joint Finance Division (ADF) and Transport and Procurement Division (OTP) directive will therefore be released in April 2005.</p>





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	funding shortfalls. A central invoicing system is being installed to enhance the tracking and accounting of (i) outstanding debts by user agencies and (ii) an advance deposit.		New expenditure accounts and commitment items unique to air service activities have been created in WINGS. Financial reports for aviation management are also produced monthly, including income and expenditure reports, staffing situation and other reports.
<p>Recommendation 2. I recommend that WFP reviews the effectiveness of the present policy and practice on charging, to improve cost recovery and cash flow in air operations and minimize the risk of debts adversely affecting the services provided.</p>	<p>Continued funding by donors will usually be addressed well before the funding runs out. Where donors are no longer interested in funding an air transport service, the transition from a donor-funded to a cost-recovery air transport service will be initiated 30 days before donor funds are exhausted, with the agreement of users. If no agreement is reached 14 days before the date funds are expected to be exhausted, notice will be given to terminate the operation when funds are depleted to avoid debts.</p>	<p>Improved procedures for charging clients are included in the above directive. In the meantime, development of a financial-performance monitoring system is still in progress.</p>	<p>The joint ADF and OTP directive mentioned above addresses the issues of cost recovery and debt risks.</p>
<p>Recommendation 3. I recommend that prior to undertaking additional activities in the management of air operations, WFP draws up clear and comprehensive agreements with the third parties involved, in particular to clearly identify the respective financial liabilities of all parties involved.</p>	<p>Technical Service Agreements (TSAs) between WFP aviation and all clients are being instituted pursuant to Operations Department Directive OD2004/001 dated 13 January 2004.</p>	<p>The requirement of the Operations Directive to conclude TSAs with all user agencies is being enforced.</p>	<p>With the enforcement of TSAs with all user agencies, this recommendation is deemed complete.</p>
<p>Operational management</p>			
<p>Recommendation 4. I recommend that WFP take more effective and prompt action to ensure implementation of the recommendations of the ICAO report for the improved safety management of air operations: specifically to ensure that it addresses issues concerning the contracting of appropriately qualified aircraft providers and the establishment of adequate insurance or liability cover arrangements.</p>	<p>Surveillance of aircraft operators depends on the funding available. There is no longer a reliable donor-funding mechanism to undertake these activities, so the funding for safety activities will be borne by a fixed administrative charge, currently US\$35 per hour, included in the flying-hours rate.</p> <p>WFP aviation follows the policies regarding insurance established by the United Nations as a whole. The current policy is a US\$50,000 third party liability cover and US\$135,000 per passenger, in line with the Montreal Convention dated November 2003.</p>	<p>The ICAO recommendations on safety management have been implemented; adequate insurance cover has been included in contracts with operators.</p> <p>Action on this recommendation is deemed complete.</p>	<p>Complete.</p>

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<p>Recommendation 5. I recommend that as a matter of priority, WFP should adopt coherent, comprehensive aviation standards and operating procedures commensurate with ICAO standards; and put in place appropriate arrangements to ensure compliance with the standards on a continuing basis.</p>	<p>The United Nations Aviation Standards for Peacekeeping and Humanitarian Air Transport Operations (AVSTADS) has been adopted as a contracting standard since Dec 2002; it is currently being reviewed and refined by WFP in conjunction with the International Civil Aviation Organization (ICAO) and the United Nations Department of Peace-Keeping Operations (DPKO).</p>	<p>The Aviation Technical Advisory Group (ATAG) met on 2 November 2004 and revised AVSTADS. The second edition of AVSTADS will be published for implementation by the first quarter of 2005. With the adoption of AVSTADS by WFP aviation, action on this recommendation is deemed complete.</p>	<p>Complete.</p>
<p>Recommendation 6. I recommend that WFP review the existing staffing and related budget provision for air operations against the requirements indicated by the ICAO recommendations, to ensure that the Programme benefits from appropriate levels of technical skills to deliver safe management of air operations.</p>	<p>This recommendation is being addressed through the implementation of the SDED Ops Directive in conjunction with WFP country offices.</p>	<p>The regional aviation safety officers are in place and fully functional. Action on this recommendation is now deemed complete.</p>	<p>Complete.</p>
<p>Recommendation 7. I recommend that WFP establishes systematic risk assessment procedures to be applied to each air operation, to identify and respond to areas of operational and safety risk, and move towards a safer operating environment for the Programme as a whole.</p>	<p>Risks are currently being assessed in the decision-making process by air transport officers managing air transport service operations in the field and in WFP Headquarters. The tools supporting risk information are:</p> <ul style="list-style-type: none"> a) the aviation safety reporting (ECCAIRS), and audit (CPSS) systems, which gather and analyse information regarding hazards and airworthiness; b) the security reporting system monitors and reports on any hostile activity in the aircraft's area of operation; and c) the airspace management system comprising Notices to Airmen (NOTAMS) and Notices on Danger/Prohibited Areas. 	<p>Risk assessment is now an ongoing process for each air operation.</p>	<p>Complete.</p>





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<p>Recommendation 8. I recommend that WFP carry out a central review of the status of all Memorandums of Understanding with government authorities on air operations, to ensure that they are appropriate for the activities of the individual operations currently in place.</p>	<p>The need and urgency for this has been recognized and is currently being addressed by WFP's Legal Branch (OTI), which is working with country offices on updating the basic agreement to include privileges and immunities in respect to aircraft operations.</p>	<p>The issue of an addendum was revisited: it is felt that in order to respond to emergencies, the basic agreement needs to allow for the import and operation of aircraft. There are already provisions in the basic agreement to cover practically all the requirements of an air operation, so an addendum is not required. An activity agreement that is part of the basic agreement should suffice. The issue is not the agreement but the willingness of the host government to honour the agreement.</p>	<p>Procedures are already in place to ensure that air operation activities are covered in agreements with host governments; this recommendation is therefore deemed complete.</p>
<p>Recommendation 9. I recommend that WFP strengthens its internal systems for data collection, incident reporting and data sharing, to facilitate appropriate evaluation by staff that are able to effectively interpret, implement and enforce operational and safety controls.</p>	<p>WFP Safety has implemented an improved reporting system; through the United Nations Aviation Technical Advisory Group (ATAG), which is chaired by WFP this year, the system for sharing safety information between DPKO and WFP is in place and being refined. Implementation and enforcement of operational and safety controls is being regularly monitored through safety and management audits of air transport service operations. Management standards have been established through the personal performance reporting system and recruitment of suitably qualified personnel.</p>	<p>With the ECCAIRS reporting system now in operation, action on this recommendation is deemed complete.</p>	<p>Complete.</p>
<p>Review of WFP's Vulnerability Analysis and Mapping (WFP/EB.A/2004/INF/8-B)</p>			
<p>Application of VAM</p>			
<p>Recommendation 1. To improve the effectiveness and benefits of the analyses carried out, I recommend that WFP improve knowledge management through systematic collation and dissemination of the information and good practice gained from VAM.</p>	<p>Without a comprehensive food security and vulnerability analysis it is not possible to design food-oriented preparedness responses because the country-specific relationship between risk and household food security is not known. Similarly, without a comprehensive food security and vulnerability analysis it will be difficult to provide benchmarks against which to measure the impact of a shock.</p>	<p>VAM-SIE has been installed and is operational in the remaining two regional bureaux – ODB and ODPC. The VAM web-page is being upgraded to improve dissemination of food-security information and good practice. A consultant is to be hired to design a database for VAM comprehensive food-security and vulnerability studies, in line with corporate decisions on information management.</p>	<p>Complete.</p>

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	<p>The Secretariat acknowledges the need for improved knowledge management and better information dissemination. To address this issue, the Vulnerability Analysis and Mapping (VAM) Unit in Headquarters has developed the VAM Spatial Information Environment (SIE), a web-based information system designed to enable VAM staff to share VAM products with partners and donors. This information system is also available at the regional bureau level and is meant to facilitate information dissemination.</p>	<p>With the foregoing structures in place, action on this recommendation is deemed complete.</p>	
<p>Recommendation 2. I recommend that, at the beginning of VAM studies, WFP assess the relative cost benefits of using primary and secondary data.</p>	<p>Secondary data alone are not always sufficient, because the purpose of analysing food insecurity is to understand the underlying causes and to determine whether food aid is an appropriate response.</p> <p>Like other organizations working with poverty and nutrition issues, WFP needs to collect its own data to be able to determine when the food insecurity situation requires food aid intervention, the extent to which food aid should be used and how it can make a difference.</p> <p>The issue should therefore focus on ensuring that the right data are collected and correctly analysed to answer these questions.</p>	<p><i>Guidelines on Sampling for Food Security</i> and, <i>Guidelines on Mainstreaming Gender, Nutrition and Livelihoods</i> have been issued. <i>Guidelines on Household Food Security Profiles, Guidelines on Livelihood Analysis and Guidelines on Nutrition for Food-Security Analysis</i> will be issued by 15 January 2005.</p> <p>With the issue of these guidelines, action on this recommendation is deemed complete.</p>	<p>Complete.</p>
<p>Recommendation 3. I recommend that WFP strengthen the role and use of the VAM unit in headquarters, to provide advice and quality control in all VAM studies.</p>	<p>WFP is a decentralized organization and VAM is mainly a field tool. Given the diversity of situations within which WFP operates, offices apply VAM in different ways. We agree that a form of quality control needs to be put in place at the regional bureau level with Headquarters as second level, adding value to the work undertaken at the county office level. This should go hand in hand with the issue of detailed normative guidance from the VAM Unit.</p> <p>Applying a standardized methodology based on best practices and lessons learned would also allow for a comparison of vulnerabilities among countries, in terms of numbers of people and causes.</p>	<p>A draft of the OD directive was sent out to regional bureaux for their input and comments. The final version is expected to be issued before the end of 2004.</p>	<p>The draft OD directive was revised as a result of inputs and comments from the regional bureaux. It is now due to be released by the end of April 2005.</p>





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<p>Recommendation 4. I also recommend that WFP establish arrangements to ensure that feedback from local surveys is channelled through the VAM unit in headquarters, so that best practice may be identified, promoted and incorporated into training courses, manuals and the VAM website.</p>	<p>The Secretariat agrees with this recommendation that the VAM Unit is best placed to identify and promote best practices and facilitate innovative techniques, methods and approaches.</p>	<p>As soon as the OD Directive is officially sent out, VAM will define the mechanism for regular updates and feedback from the field.</p> <p>A review of 2004 best practices will also be conducted during the first quarter in 2005.</p>	<p>A review of best practices was postponed to June 2005 because of staff involvement in the tsunami assessments.</p>
<p>Partnerships</p>			
<p>Recommendation 5. I recommend that WFP ensure the availability of timely, consistent and reliable information, through an established VAM methodology, to all parties for the support of operations and to monitor the need for food aid intervention.</p>	<p>The VAM Unit is currently preparing guidelines for field use. The need for guidelines and toolkits was also raised as an important area of work at the Global VAM meeting in April 2004.</p>	<p>The guidelines mentioned in Recommendation 2 are also in response to Recommendation 5.</p> <p>With the issue of these guidelines, action on this recommendation is deemed complete.</p>	<p>Complete.</p>
<p>Funding</p>			
<p>Recommendation 6. I recommend that WFP review the adequacy of the funding arrangements for VAM against its context as a strategic and management priority in strengthening the organization's knowledge base and advocacy of food-assisted intervention.</p>	<p>Most of the VAM work is currently funded from direct support costs (DSC) and consequently focuses more on targeting, particularly geographic targeting, for existing programmes and projects.</p> <p>An expanded analytical process needs to be developed to identify entry points for food assistance and inform other aspects of humanitarian or development policy related to food security. This expanded process can help WFP to extend its knowledge base on food security and vulnerability issues and serve as a point of departure for advocacy and dialogue with governments, civil society and the United Nations system.</p> <p>To address this recommendation, it would be necessary to secure a significant amount of resources.</p>	<p>In addition to the ISP/DFID funds, VAM has received contributions from ECHO. Efforts to generate additional resources are continuing.</p>	<p>Funding from Belgium was received recently. Efforts to generate resources for VAM activities are already in place, so this recommendation is deemed complete.</p>

External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 November 2004	Actions taken to date or to be taken as at 31 March 2005
Performance measurement			
<p>Recommendation 7. I recommend that WFP develop measurable targets against which the performance of VAM can be judged, so that the data collected by VAM can establish a benchmark against which the operational success of WFP may be measured.</p>	<p>The Secretariat recognizes the significance of this recommendation, because the most important aspects of VAM work are analysis and interpretation of data to strengthen WFP's operational performance.</p> <p>Within the new WFP Management Plan for 2004-2007, VAM has a performance indicator "percentage of VAM baseline surveys available for identified priority areas". The VAM Unit has also prepared an analytical checklist to assess the quality of VAM analyses worldwide. The checklist will be disseminated for feedback purposes and then finalized, incorporating comments and suggestions from colleagues in regional bureaux and country offices.</p>	<p>The analytical checklist is being developed to accommodate quality-control and performance parameters for the VAM work to be carried out in the ECHO-funded project; it is expected to be finalized by February 2005.</p>	<p>The draft analytical checklist will be circulated for comments to the Advisory Group of the Strengthening Emergency Needs Assessment Capacity (SENAC) project, an European Commission Humanitarian Office (ECHO)-funded emergency needs assessment project.</p>
Review of Corporate Governance at WFP (WFP/EB.A/2004/INF/8-C)			
Audit Committee			
<p>Recommendation 1. I recommend that WFP revise the practice and terms of reference of the Audit Committee to include appropriate arrangements for reporting formally to the Executive Director. In conjunction with the Governance Group, an informal working group of the Bureau, it might also consider its reporting relationship to the Executive Board.</p>	<p>Agreed.</p>	<p>The new audit committee has formulated its TORs, which set out the reporting relationship with the Executive Director and the Board. Action on this recommendation is deemed complete.</p>	<p>Complete.</p>
<p>Recommendation 2. To afford a greater level of independence and objectivity in the advice available to corporate management, I recommend that WFP should introduce non-executive independent members to the Audit committee, but I recognize that this is another matter where the practical implementation would need to be considered fully by the Executive Board.</p>	<p>Agreed.</p>	<p>The new Audit Committee has been appointed; it comprises three external members and two internal members, all with relevant expertise and knowledge. Action on this recommendation is deemed complete.</p>	<p>Complete.</p>





External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 November 2004	Actions taken to date or to be taken as at 31 March 2005
Review of the internal control systems			
<p>Recommendation 3. I repeat the recommendation made by my predecessor that WFP define the respective roles and responsibilities of the regional bureaux and country offices and delineate clearly the accountability and monitoring arrangements necessary to ensure the delivery of the Programmes' objectives.</p>	Agreed.	<p>The roles and responsibilities of regional bureaux, country offices and Headquarters will be updated as part of WFP's ongoing operations review (OR), which is also addressing issues such as decentralization and delegations of authority, taking into consideration BPR and other initiatives.</p> <p>With the above structure in place, action on this recommendation is deemed complete.</p>	Complete.
Oversight arrangements			
<p>Recommendation 4. I recommend that WFP consider what steps might be taken to improve accountability and the effectiveness of line management's response to audit recommendations.</p>	Agreed.	<p>The TORs for the new Audit Committee include a provision for the committee to review and monitor management's responsiveness to the findings and recommendations of audits and its readiness to implement them.</p> <p>To ensure effective implementation of external audit recommendations, WFP managers have been requested to conduct regular reviews of all recommendations and the status of implementation as part of their overall financial management responsibilities. In the regional workshops for finance officers in late 2004, there were special sessions for action on external audit recommendations to ensure that audit issues are dealt with promptly and that all recommendations are implemented without delay.</p>	<p>The Audit Committee has started a process to improve follow-up to audit recommendations and management response.</p> <p>Action on this recommendation is therefore deemed complete.</p>